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## STATE OF KANSAS

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REPORT ON FEDERAL AWARDS IN ACCORDANCE WITH  
OMB CIRCULAR A-133  
YEAR ENDED JUNE 30, 2007

STATE OF KANSAS  
REPORT ON FEDERAL AWARDS IN ACCORDANCE  
WITH OMB CIRCULAR A-133

Year Ended June 30, 2007

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND**  
**ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT**  
**OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE**  
**WITH GOVERNMENT AUDITING STANDARDS**

Legislative Post Audit Committee  
Kansas State Legislature

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (the State) as of and for the year ended June 30, 2007, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 31, 2007. We did not audit the financial statements of the various component units of the six state universities which represent 53 percent and 49 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the six state universities' aggregate discretely presented component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the State's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the State of Kansas Legislative Post Audit Committee, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Allen, Gibbs & Houlik, L.C.*

*Berberich Trahan & Co., P.A.*

December 31, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Legislative Post Audit Committee  
Kansas State Legislature

**Compliance**

We have audited the compliance of the State of Kansas (the State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The State's basic financial statements include the operations of the six state universities, whose various component units received federal awards which are not included in the schedule of expenditures of federal awards during the year ended June 30, 2007. Our audit, described below, did not include the operations of the various component units of the six state universities because the university component units engaged other auditors to perform audits in accordance with OMB *Circular A-133*. The schedule of expenditures of federal awards does include the federal awards received by Kansas Housing Resources Corporation, a component unit of the State.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

In our opinion, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings Nos. 2007-1 through 2007-4, 2007-6 and 2007-12 through 2007-17.

**Internal Control Over Compliance**

The management of the State is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the State's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and one that we consider to be a material weakness.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings Nos. 2007-5 and 2007-7 through 2007-11 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider Finding No. 2007-11 to be a material weakness.

#### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of and for the year ended June 30, 2007, and have issued our report thereon dated December 31, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The federal awards of the State's component units are included in the single audits of those agencies and therefore the accompanying schedule of expenditures of federal awards does not include these federal awards.

This report is intended solely for the information and use of the State of Kansas Legislative Post Audit Committee, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Allen, Gibbs & Houlik, L.L.C.*

*Berberich Trahan & Co., P.A.*

April 28, 2008, except for the Schedule of Expenditures of Federal Awards as to which the date is December 31, 2007.

*State of Kansas*  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended June 30, 2007*

<i>Federal Grantor/Program</i>	<i>CFDA Number</i>	<i>Expenditures</i>	<i>Funds passed to Subrecipient</i>
<b>Office of National Drug Control Policy</b>			
<b>Direct Award</b>			
Not Clustered			
High Intensity Drug Trafficking Area	7.999	3,782,565	1,252,911
<b>Total Not Clustered</b>		<b>\$3,782,565</b>	<b>\$1,252,911</b>
<b>Total Office of National Drug Control Policy</b>		<b>\$3,782,565</b>	<b>\$1,252,911</b>
<b>U. S. Department of Agriculture</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	10.000	2,463,408	
Agricultural Research - Basic and Applied Research	10.001	1,698,112	9,016
Plant and Animal Disease, Pest Control, and Animal Care	10.025	780,427	1,643
Conservation Reserve Program	10.069	20,452	
Grants for Agricultural Research, Special Research Grants	10.200	2,860,581	922,874
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	4,236,424	310,370
Grants for Agricultural Research - Competitive Research Grants	10.206	1,988,084	294,202
Food and Agricultural Sciences National Needs Graduate Fellowship Grants	10.210	55,490	
Higher Education Challenge Grants	10.217	149,748	64,126
Initiative for Future Agriculture and Food Systems	10.302	1,609	
Integrated Programs	10.303	1,288,025	401,764
Homeland Security - Agricultural	10.304	1,165,948	373,044
International Science and Education Grants	10.305	67,512	
Organic Agriculture Research and Extension Initiative	10.307	2,885	
State Mediation Grants	10.435	432,387	
Crop Insurance	10.450	27,284	
Community Outreach and Assistance Partnership Program	10.455	90,555	
Partnership Agreements to Develop Non-Insurance Risk Management Tools for Producers (Farmers)	10.456	165,878	19,213
Commodity Partnerships for Risk Management Education	10.457	183,016	57,098
Commodity Partnerships for Small Agricultural Risk Management Education Sessions	10.459	9,658	
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	27,106	
Cooperative Extension Service	10.500	9,745,120	2,002,659
Foreign Market Development Cooperator Program	10.600	64,766	
Resource Conservation and Development	10.901	4,494	
Soil and Water Conservation	10.902	100,494	38,023
Soil Survey	10.903	60,994	
Plant Materials for Conservation	10.905	8,774	
Environmental Quality Incentives Program	10.912	21,772	
Scientific Cooperation and Research	10.961	20,402	
<b>Total Research and Development Programs Cluster</b>		<b>\$27,741,405</b>	<b>\$4,494,032</b>
Not Clustered			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	640,859	
Livestock Assistance Program	10.066	948,511	
Market Protection and Promotion	10.163	23,456	
Grants for Agricultural Research - Competitive Research Grants	10.206	13,511	
Meat, Poultry, and Egg Products Inspection	10.477	1,653,572	
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	53,598,405	51,001,424
Child and Adult Care Food Program	10.558	31,184,876	30,866,079
State Administrative Expenses for Child Nutrition	10.560	1,507,499	
Commodity Supplemental Food Program	10.565	303,458	
Team Nutrition Grants	10.574	173,124	
Senior Farmers Market Nutrition Program	10.576	175,036	175,036
Cooperative Forestry Assistance	10.664	1,449,401	
Forest Land Enhancement Program	10.677	16,265	
Solid Waste Management Grants	10.762	6,169	

*State of Kansas*  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended June 30, 2007*

<i>Federal Grantor/Program</i>	<i>CFDA Number</i>	<i>Expenditures</i>	<i>Funds passed to Subrecipient</i>
Soil and Water Conservation	10.902	437,029	77,748
Environmental Quality Incentives Program	10.912	224,083	
Agricultural Statistics Reports	10.950	18,386	
<b>Total Not Clustered</b>		<b>\$92,373,640</b>	<b>\$82,120,287</b>
Food Stamp Cluster:			
State Administrative Matching Grants for Food Stamp Program	10.561	17,355,103	
<b>Total Food Stamp Cluster</b>		<b>\$17,355,103</b>	
Emergency Food Assistance Cluster:			
Emergency Food Assistance Program (Administrative Costs)	10.568	407,069	
<b>Total Emergency Food Assistance Cluster</b>		<b>\$407,069</b>	
Child Nutrition Cluster:			
School Breakfast Program	10.553	17,140,518	16,905,158
National School Lunch Program	10.555	78,757,888	78,126,924
Special Milk Program for Children	10.556	119,354	119,354
Summer Food Service Program for Children	10.559	1,785,542	1,624,253
<b>Total Child Nutrition Cluster</b>		<b>\$97,803,302</b>	<b>\$96,775,689</b>
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	10.000	514,068	
Agricultural Research - Basic and Applied Research	10.001	44,976	
Grants for Agricultural Research, Special Research Grants	10.200	388,575	10,183
Grants for Agricultural Research - Competitive Research Grants	10.206	497,044	
Small Business Innovation Research	10.212	242	
Higher Education Challenge Grants	10.217	28,743	
1994 Institutions Research Program	10.227	3,903	
Initiative for Future Agriculture and Food Systems	10.302	109	
Integrated Programs	10.303	192,636	
Homeland Security - Agricultural	10.304	261,747	
Value-Added Producer Grants	10.352	66,009	
Crop Insurance	10.450	63,495	
Cooperative Extension Service	10.500	181,754	
<b>Total Research and Development Programs Cluster</b>		<b>\$2,243,301</b>	<b>\$10,183</b>
<b>Non-Monetary Award</b>			
Food Stamp Cluster:			
Food Stamps	10.551	190,314,445	
<b>Total Food Stamp Cluster</b>		<b>\$190,314,445</b>	
<b>Total U. S. Department of Agriculture</b>		<b>\$428,238,265</b>	<b>\$183,400,191</b>
<b>U. S. Department of Commerce</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Economic Development - Technical Assistance	11.303	301,021	
Measurement and Engineering Research and Standards	11.609	11,486	
<b>Total Research and Development Programs Cluster</b>		<b>\$312,507</b>	
Not Clustered			
Public Telecommunications Facilities Planning and Construction	11.550	17,296	
Manufacturing Extension Partnership	11.611	1,485,264	1,485,264
<b>Total Not Clustered</b>		<b>\$1,502,560</b>	<b>\$1,485,264</b>
<b>Total U. S. Department of Commerce</b>		<b>\$1,815,067</b>	<b>\$1,485,264</b>
<b>U. S. Department of Defense</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	12.000	7,237,811	470,392
Basic and Applied Scientific Research	12.300	1,478,281	452,387
Military Medical Research and Development	12.420	346,219	62,176



*State of Kansas  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007*

<i>Federal Grantor/Program</i>	<i>CFDA Number</i>	<i>Expenditures</i>	<i>Funds passed to Subrecipient</i>
Basic Scientific Research	12.431	516,800	
Basic, Applied, and Advanced Research in Science and Engineering	12.630	74,653	
Air Force Defense Research Sciences Program	12.800	793,621	
Mathematical Sciences Grants Program	12.901	6,065	
<b>Total Research and Development Programs Cluster</b>		<b>\$10,453,450</b>	<b>\$984,955</b>
Not Clustered			
Non-catalog miscellaneous	12.000	120,797	
Flood Control Projects	12.106	271,399	271,399
Navigation Projects	12.107	65,086	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	241,811	
Military Construction, National Guard	12.400	1,727,577	
National Guard Military Operations and Maintenance (O&M) Projects	12.401	14,692,812	
National Guard Special Military Operations and Projects	12.402	7,921,845	
National Guard Civilian Youth Opportunities	12.404	469,048	
National Guard Drug Interdiction and Counter Drug Activities	12.405	6,866	
Community Economic Adjustment Planning Assistance	12.607	84,829	84,829
<b>Total Not Clustered</b>		<b>\$25,602,070</b>	<b>\$356,228</b>
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	12.000	2,322,220	104,695
Basic, Applied, and Advanced Research in Science and Engineering	12.630	124,015	
Air Force Defense Research Sciences Program	12.800	149,524	
<b>Total Research and Development Programs Cluster</b>		<b>\$2,595,759</b>	<b>\$104,695</b>
Not Clustered			
Non-catalog miscellaneous	12.000	108,886	
<b>Total Not Clustered</b>		<b>\$108,886</b>	
<b>Total U. S. Department of Defense</b>		<b>\$38,760,165</b>	<b>\$1,445,878</b>
<b>U. S. Department of Housing and Urban Development</b>			
<b>Direct Award</b>			
Section 8 Project-Based Cluster:			
- Section 8 Housing Assistance Payments Program - Special Allocations	14.195	40,790,710	40,790,710
<b>Total Section 8 Project-Based Cluster</b>		<b>\$40,790,710</b>	<b>\$40,790,710</b>
Not Clustered			
Community Development Block Grants/State's Program	14.228	20,526,059	19,847,570
Emergency Shelter Grants Program	14.231	904,324	885,699
Supportive Housing Program	14.235	70,110	63,616
HOME Investment Partnerships Program	14.239	6,341,957	5,670,259
Housing Opportunities for Persons with AIDS	14.241	302,722	
Community Development Block Grants_Section 108 Loan Guarantees	14.248	133	
Community Development Work-Study Program	14.512	45,953	
<b>Total Not Clustered</b>		<b>\$28,191,258</b>	<b>\$26,467,144</b>
<b>Indirect Award</b>			
Not Clustered			
Community Development Block Grants/State's Program	14.228	104,651	
<b>Total Not Clustered</b>		<b>\$104,651</b>	
<b>Total U. S. Department of Housing and Urban Development</b>		<b>\$69,086,619</b>	<b>\$67,257,854</b>
<b>U. S. Department of the Interior</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	15.000	192,164	12,204
Cooperative Inspection Agreements with States and Tribes	15.222	10,273	
Reclamation Projects	15.503	8	
Cooperative Endangered Species Conservation Fund	15.615	17,365	
Conservation Grants Private Stewardship for Imperiled Species	15.632	24,894	

*State of Kansas*  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended June 30, 2007*

<i>Federal Grantor/Program</i>	<i>CFDA Number</i>	<i>Expenditures</i>	<i>Funds passed to Subrecipient</i>
State Wildlife Grants	15.634	970,410	
Neotropical Migratory Bird Conservation	15.635	44,144	5,565
Assistance to State Water Resources Research Institutes	15.805	63,313	26,696
U.S. Geological Survey - Research and Data Collection	15.808	265,723	
Gap Analysis Program	15.811	117,333	28,038
Cooperative Research Units Program	15.812	270,920	
<b>Total Research and Development Programs Cluster</b>		<b>\$1,976,547</b>	<b>\$72,503</b>
Not Clustered			
Non-catalog miscellaneous	15.000	55,376	
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	10,811	
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	89,771	
Abandoned Mine Land Reclamation (AMLR) Program	15.252	1,733,487	
Water 2025	15.507	95,000	
Fish and Wildlife Management Assistance	15.608	57,600	
Landowner Incentive	15.633	115,531	
Historic Preservation Fund Grants-In-Aid	15.904	537,827	161,325
Outdoor Recreation - Acquisition, Development and Planning	15.916	867,305	
<b>Total Not Clustered</b>		<b>\$3,562,708</b>	<b>\$161,325</b>
Fish and Wildlife Cluster:			
Sport Fish Restoration	15.605	4,628,312	
Wildlife Restoration	15.611	3,843,405	
<b>Total Fish and Wildlife Cluster</b>		<b>\$8,471,717</b>	
Indirect Award			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	15.000	53,191	
<b>Total Research and Development Programs Cluster</b>		<b>\$53,191</b>	
<b>Total U. S. Department of the Interior</b>		<b>\$14,064,163</b>	<b>\$233,828</b>
U. S. Department of Justice			
Direct Award			
Research and Development Programs Cluster:			
State Justice Statistics Program for Statistical Analysis Centers	16.550	50,000	
<b>Total Research and Development Programs Cluster</b>		<b>\$50,000</b>	
Not Clustered			
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	240,922	83,188
Juvenile Accountability Incentive Block Grants	16.523	638,832	401,312
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	644,128	381,232
Title V - Delinquency Prevention Program	16.548	24,305	24,163
National Criminal History Improvement Program (NCHIP)	16.554	348,106	
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	552,081	81,373
Crime Victim Assistance	16.575	4,179,132	3,895,905
Crime Victim Compensation	16.576	1,888,229	
Edward Byrne Memorial Formula Grant Program	16.579	359,846	290,114
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	144,535	
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	337,969	
Violence Against Women Formula Grants	16.588	1,114,130	1,014,288
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	126,756	72,432
Local Law Enforcement Block Grant Program	16.592	990	990
Residential Substance Abuse Treatment for State Prisoners	16.593	219,170	
Corrections - Training and Staff Development	16.601	7,025	
Bulletproof Vest Partnership Program	16.607	20,960	
Community Prosecution and Project Safe Neighborhoods	16.609	264,812	164,357
Public Safety Partnership and Community Policing Grants	16.710	711,340	
Enforcing Underage Drinking Laws Program	16.727	578,437	
Protecting Inmates and Safeguarding Communities Discretionary Grant Program	16.735	130,897	

*State of Kansas*  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended June 30, 2007*

<i>Federal Grantor/Program</i>	<i>CFDA Number</i>	<i>Expenditures</i>	<i>Funds passed to Subrecipient</i>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1,861,057	953,921
Forensic DNA Capacity Enhancement Program	16.741	9,836	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	17,034	
Anti-Gang Initiative	16.744	19,841	19,841
<b>Total Not Clustered</b>		<b>\$14,440,370</b>	<b>\$7,383,116</b>
<b>Indirect Award</b>			
Not Clustered			
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589	61,392	
<b>Total Not Clustered</b>		<b>\$61,392</b>	
<b>Total U. S. Department of Justice</b>		<b>\$14,551,762</b>	<b>\$7,383,116</b>
<b>U. S. Department of Labor</b>			
<b>Direct Award</b>			
WIA Cluster:			
WIA Adult Program	17.258	8,338,691	7,260,959
WIA Youth Activities	17.259	7,264,865	5,796,032
WIA Dislocated Workers	17.260	6,617,813	3,909,378
<b>Total WIA Cluster</b>		<b>\$22,221,369</b>	<b>\$16,966,369</b>
Research and Development Programs Cluster:			
WIA Pilots, Demonstrations, and Research Projects	17.261	104,003	
Occupational Safety and Health - Susan Harwood Training Grants	17.502	111,617	
<b>Total Research and Development Programs Cluster</b>		<b>\$215,620</b>	
Not Clustered			
Labor Force Statistics	17.002	1,007,082	
Compensation and Working Conditions	17.005	88,610	
Unemployment Insurance*	17.225	252,982,347	
Senior Community Service Employment Program	17.235	916,960	884,414
Trade Adjustment Assistance	17.245	6,883,746	
Consultation Agreements	17.504	571,986	
OSHA Data Initiative	17.505	82,467	
Transition Assistance Program	17.807	29,012	
<b>Total Not Clustered</b>		<b>\$262,562,210</b>	<b>\$884,414</b>
Employment Service Cluster:			
Employment Service/Wagner-Peyser Funded Activities	17.207	6,676,704	40,195
Disabled Veterans' Outreach Program (DVOP)	17.801	888,817	
Local Veterans' Employment Representative Program	17.804	667,783	
<b>Total Employment Service Cluster</b>		<b>\$8,233,304</b>	<b>\$40,195</b>
<b>Indirect Award</b>			
WIA Cluster:			
WIA Youth Activities	17.259	10,477	
<b>Total WIA Cluster</b>		<b>\$10,477</b>	
<b>Total U. S. Department of Labor</b>		<b>\$293,242,980</b>	<b>\$17,890,978</b>
<b>U. S. Department of State</b>			
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	19.000	26,407	
<b>Total Research and Development Programs Cluster</b>		<b>\$26,407</b>	
<b>Total U. S. Department of State</b>		<b>\$26,407</b>	
<b>U. S. Department of Transportation</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	20.000	283,419	21,919
Aviation Research Grants	20.108	1,749,678	
Air Transportation Centers of Excellence	20.109	2,770,711	205,213
Public Transportation Research	20.514	541,640	

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<i>Federal Grantor/Program</i>	<i>CFDA Number</i>	<i>Expenditures</i>	<i>Funds passed to Subrecipient</i>
<b>Total Research and Development Programs Cluster</b>		<b>\$5,345,448</b>	<b>\$227,132</b>
Not Clustered			
Non-catalog miscellaneous	20.000	810,345	
Airport Improvement Program	20.106	129,814	
National Motor Carrier Safety	20.218	3,408,599	356
Recreational Trails Program	20.219	700,072	358,896
Safety Data Improvement Program	20.234	45,133	
Commercial Vehicle Information Systems and Networks	20.237	453,421	
Federal Transit - Metropolitan Planning Grants	20.505	2,099,620	
Formula Grants for Other Than Urbanized Areas	20.509	4,239,222	
State Planning and Research	20.515	159,695	
Pipeline Safety	20.700	387,728	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	150,319	149,086
<b>Total Not Clustered</b>		<b>\$12,583,968</b>	<b>\$508,338</b>
Highway Safety Cluster:			
State and Community Highway Safety	20.600	4,076,289	
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	32,050	
<b>Total Highway Safety Cluster</b>		<b>\$4,108,339</b>	
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	352,194,089	
<b>Total Highway Planning and Construction Cluster</b>		<b>\$352,194,089</b>	
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500	8,652,771	
<b>Total Federal Transit Cluster</b>		<b>\$8,652,771</b>	
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	20.000	49,222	
Air Transportation Centers of Excellence	20.109	208,972	
Non-catalog miscellaneous	20.710	40,232	
University Transportation Centers	20.760	9,674	
<b>Total Research and Development Programs Cluster</b>		<b>\$308,100</b>	
<b>Total U. S. Department of Transportation</b>		<b>\$383,192,715</b>	<b>\$735,470</b>
<b>U. S. Equal Employment Opportunity Commission</b>			
<b>Direct Award</b>			
Not Clustered			
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	298,274	
<b>Total Not Clustered</b>		<b>\$298,274</b>	
<b>Total U. S. Equal Employment Opportunity Commission</b>		<b>\$298,274</b>	
<b>U. S. General Services Administration</b>			
<b>Direct Award</b>			
Not Clustered			
HAVA Title I - "early money"	39.011	459,981	
<b>Total Not Clustered</b>		<b>\$459,981</b>	
<b>Total U. S. General Services Administration</b>		<b>\$459,981</b>	
<b>National Aeronautics and Space Administration</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	43.000	540,461	40,735
Aerospace Education Services Program	43.001	2,118,109	
Technology Transfer	43.002	41,230	
<b>Total Research and Development Programs Cluster</b>		<b>\$2,699,800</b>	<b>\$40,735</b>
Not Clustered			
Aerospace Education Services Program	43.001	37,053	

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<i>Federal Grantor/Program</i>	<i>CFDA Number</i>	<i>Expenditures</i>	<i>Funds passed to Subrecipient</i>
<b>Total Not Clustered</b>		<b>\$37,053</b>	
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	43.000	363,348	16,168
Aerospace Education Services Program	43.001	129,475	
Technology Transfer	43.002	62,480	
<b>Total Research and Development Programs Cluster</b>		<b>\$555,303</b>	<b>\$16,168</b>
Not Clustered			
Aerospace Education Services Program	43.001	22,123	
<b>Total Not Clustered</b>		<b>\$22,123</b>	
<b>Total National Aeronautics and Space Administration</b>		<b>\$3,314,279</b>	<b>\$56,903</b>
<b>National Endowment for the Humanities</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
National Leadership Grants	45.312	101,673	
<b>Total Research and Development Programs Cluster</b>		<b>\$101,673</b>	
Not Clustered			
Non-catalog miscellaneous	45.000	22,525	
Promotion of the Arts - Grants to Organizations and Individuals	45.024	8,023	
Promotion of the Arts - Partnership Agreements	45.025	562,668	285,182
Promotion of the Humanities - Division of Preservation and Access	45.149	4,811	
Grants to States	45.310	1,711,239	415,212
Laura Bush 21st Century Librarian Program	45.313	32,902	
<b>Total Not Clustered</b>		<b>\$2,342,168</b>	<b>\$700,394</b>
<b>Indirect Award</b>			
Not Clustered			
Promotion of the Arts - Partnership Agreements	45.025	10,000	
Museums for America	45.301	2,346	
<b>Total Not Clustered</b>		<b>\$12,346</b>	
<b>Total National Endowment for the Humanities</b>		<b>\$2,456,187</b>	<b>\$700,394</b>
<b>National Science Foundation</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	47.000	188,770	
Engineering Grants	47.041	1,004,280	38,244
Mathematical and Physical Sciences	47.049	2,644,283	159,198
Geosciences	47.050	80,747	
Computer and Information Science and Engineering	47.070	1,044,007	67,546
Biological Sciences	47.074	2,679,713	237,897
Social, Behavioral, and Economic Sciences	47.075	644,222	
Education and Human Resources	47.076	1,120,198	
Polar Programs	47.078	134,150	
International Science and Engineering (OISE)	47.079	18,098	
<b>Total Research and Development Programs Cluster</b>		<b>\$9,558,468</b>	<b>\$502,885</b>
Not Clustered			
Education and Human Resources	47.076	7,801	
<b>Total Not Clustered</b>		<b>\$7,801</b>	
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	47.000	472,784	
Engineering Grants	47.041	70,465	
Computer and Information Science and Engineering	47.070	58,136	
Biological Sciences	47.074	352,035	
Social, Behavioral, and Economic Sciences	47.075	3,137	

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<i>Federal Grantor/Program</i>	<i>CFDA Number</i>	<i>Expenditures</i>	<i>Funds passed to Subrecipient</i>
Education and Human Resources	47.076	756,275	9,113
Polar Programs	47.078	5,000	
International Science and Engineering (OISE)	47.079	1,750	
<b>Total Research and Development Programs Cluster</b>		<b>\$1,719,582</b>	<b>\$9,113</b>
Not Clustered			
Non-catalog miscellaneous	47.000	341	
<b>Total Not Clustered</b>		<b>\$341</b>	
<b>Total National Science Foundation</b>		<b>\$11,286,192</b>	<b>\$511,998</b>
<b>U. S. Small Business Administration</b>			
Direct Award			
Not Clustered			
Small Business Development Center	59.037	1,052,378	
<b>Total Not Clustered</b>		<b>\$1,052,378</b>	
<b>Total U. S. Small Business Administration</b>		<b>\$1,052,378</b>	
<b>U. S. Department of Veterans Affairs</b>			
Direct Award			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	64.000	96,778	
<b>Total Research and Development Programs Cluster</b>		<b>\$96,778</b>	
Not Clustered			
State Cemetery Grants	64.203	408,193	
<b>Total Not Clustered</b>		<b>\$408,193</b>	
<b>Total U. S. Department of Veterans Affairs</b>		<b>\$504,971</b>	
<b>Environmental Protection Agency</b>			
Direct Award			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	66.000	217,322	
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	5,301	
Regional Environmental Priority Projects	66.111	14,613	
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	76,234	
Regional Wetland Program Development Grants	66.461	147,592	121,913
Science To Achieve Results (STAR) Research Program	66.509	315,276	48,684
Surveys, Studies, Investigations and Special Purpose Grants within the Office of Research and Development	66.510	5,001	
Training and Fellowship Grants	66.607	40,547	
Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach	66.716	161	
Source Reduction Assistance	66.717	30,365	
<b>Total Research and Development Programs Cluster</b>		<b>\$852,412</b>	<b>\$170,597</b>
Not Clustered			
Air Pollution Control Program Support	66.001	1,014,291	
State Indoor Radon Grants	66.032	323,662	
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	223,893	
Congressionally Mandated Projects	66.202	1,393	
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436	10,186	
Water Quality Management Planning	66.454	107,016	
Capitalization Grants for Clean Water State Revolving Funds	66.458	5,698,689	
Nonpoint Source Implementation Grants	66.460	3,838,882	1,359,797
Wastewater Operator Training Grant Program (Technical Assistance)	66.467	10,688	
Capitalization Grants for Drinking Water State Revolving Funds	66.468	8,224,354	
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	164,367	
Water Protection Grants to the States	66.474	22,138	

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<i>Federal Grantor/Program</i>	<i>CFDA Number</i>	<i>Expenditures</i>	<i>Funds passed to Subrecipient</i>
Performance Partnership Grants	66.605	5,003,293	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	182,728	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	280,210	
Pollution Prevention Grants Program	66.708	286,658	
Hazardous Waste Management State Program Support	66.801	996,913	
Superfund State, Political Subdivision, and Indian Tribe Site - Specific Cooperative Agreements	66.802	642,771	
State and Tribal Underground Storage Tanks Program	66.804	187,041	
Leaking Underground Storage Tank Trust Fund Program	66.805	1,106,983	
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	299,230	
State and Tribal Response Program Grants	66.817	986,706	
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	28,674	
<b>Total Not Clustered</b>		<b>\$29,640,766</b>	<b>\$1,359,797</b>
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	66.000	120,309	
State Indoor Radon Grants	66.032	10,500	
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	9,193	
Non-catalog miscellaneous	66.500	217,574	
Science To Achieve Results (STAR) Research Program	66.509	3,723	
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814	107,553	
<b>Total Research and Development Programs Cluster</b>		<b>\$468,852</b>	
<b>Total Environmental Protection Agency</b>		<b>\$30,962,030</b>	<b>\$1,530,394</b>
<b>U. S. Department of Energy</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	81.000	88,957	
Office of Science Financial Assistance Program	81.049	3,656,233	91,017
Fossil Energy Research and Development	81.089	161,707	20,281
Defense Nuclear Nonproliferation Research	81.113	200,415	
University Reactor Infrastructure and Education Support	81.114	211,922	
<b>Total Research and Development Programs Cluster</b>		<b>\$4,319,234</b>	<b>\$111,298</b>
<b>Not Clustered</b>			
State Energy Program	81.041	588,681	32,318
Weatherization Assistance for Low-Income Persons	81.042	2,714,348	2,414,676
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	414,887	
State Energy Program Special Projects	81.119	70,650	45,952
<b>Total Not Clustered</b>		<b>\$3,788,566</b>	<b>\$2,492,946</b>
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	81.000	719,673	47,933
Office of Science Financial Assistance Program	81.049	483,054	13,623
Conservation Research and Development	81.086	657	
Renewable Energy Research and Development	81.087	152,715	
Fossil Energy Research and Development	81.089	18,211	
University Reactor Infrastructure and Education Support	81.114	77,529	
Nuclear Energy Research, Development and Demonstration	81.121	74,994	
<b>Total Research and Development Programs Cluster</b>		<b>\$1,526,833</b>	<b>\$61,556</b>
<b>Total U. S. Department of Energy</b>		<b>\$9,634,633</b>	<b>\$2,665,800</b>
<b>U. S. Department of Education</b>			
<b>Direct Award</b>			
TRIO Cluster:			

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<i>Federal Grantor/Program</i>	<i>CFDA Number</i>	<i>Expenditures</i>	<i>Funds passed to Subrecipient</i>
TRIO - Student Support Services	84.042	1,346,173	
TRIO - Talent Search	84.044	610,829	
TRIO - Upward Bound	84.047	2,218,178	
TRIO - Educational Opportunity Centers	84.066	202,751	
TRIO - McNair Post-Baccalaureate Achievement	84.217	450,658	
<b>Total TRIO Cluster</b>		<b>\$4,828,589</b>	
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	2,290,052	220,097
Federal Family Education Loans	84.032	134,738,355	22,142,148
Federal Work-Study Program	84.033	3,530,938	476,806
Federal Pell Grant Program	84.063	39,217,755	4,566,498
Federal Direct Student Loans	84.268	94,741,961	
Academic Competitiveness Grants	84.375	1,696,934	
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	690,493	
<b>Total Student Financial Aid Cluster</b>		<b>\$276,906,488</b>	<b>\$27,405,549</b>
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	94,029,808	91,664,358
Special Education - Preschool Grants	84.173	4,060,378	3,915,339
<b>Total Special Education Cluster (IDEA)</b>		<b>\$98,090,186</b>	<b>\$95,579,697</b>
Research and Development Programs Cluster:			
Early Reading First	84.359	1,326,612	867,112
<b>Total Research and Development Programs Cluster</b>		<b>\$1,326,612</b>	<b>\$867,112</b>
Not Clustered			
Adult Education - State Grant Program	84.002	3,941,694	3,608,798
Civil Rights Training and Advisory Services	84.004	568,092	
Title I Grants to Local Educational Agencies	84.010	83,571,582	82,509,390
Migrant Education - State Grant Program	84.011	11,622,057	11,285,155
Title I Program for Neglected and Delinquent Children	84.013	454,048	108,318
Undergraduate International Studies and Foreign Language Programs	84.016	27,929	
Overseas - Group Projects Abroad	84.021	74,000	
Higher Education - Institutional Aid	84.031	301,571	
Vocational Education - Basic Grants to States	84.048	11,333,779	10,341,511
Leveraging Educational Assistance Partnership	84.069	833,384	358,356
Fund for the Improvement of Postsecondary Education	84.116	874,800	25,485
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	27,914,019	
Migrant Education - High School Equivalency Program	84.141	331,946	196,071
Business and International Education Projects	84.153	160,589	
Independent Living - State Grants	84.169	313,603	313,603
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177	214,191	
Rehab Services Supported Employment	84.178	300,030	
Special Education - Grants for Infants and Families with Disabilities	84.181	3,805,484	2,981,162
Safe and Drug-Free Schools and Communities - National Programs	84.184	394,265	
Byrd Honors Scholarships	84.185	364,875	364,875
Safe and Drug-Free Schools and Communities - State Grants	84.186	2,841,432	2,724,537
Bilingual Education - Professional Development	84.195	2,382,885	227,756
Education for Homeless Children and Youth	84.196	381,389	354,392
Graduate Assistance in Areas of National Need	84.200	86,428	
Even Start - State Educational Agencies	84.213	119,505	39,963
Assistive Technology	84.224	315,025	
Rehabilitation Services Demonstration and Training Programs	84.235	121,592	
Tech-Prep Education	84.243	1,105,893	1,062,938
Literacy Programs for Prisoners	84.255	221,843	
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	65,793	
Eisenhower Prof Development State Grant	84.281	1,056	
Title II	84.281	1,090	



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Title II-A Teacher Quality	84.281	6,724	5,668
Charter Schools	84.282	2,585,694	2,360,747
Twenty-First Century Community Learning Centers	84.287	6,077,197	5,767,409
State Grants for Innovative Programs	84.298	1,120,203	770,229
Education Technology State Grants	84.318	2,012,039	1,890,506
Special Education - State Personnel Development	84.323	639,655	247,880
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	251,253	
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	207,440	
Advanced Placement Program	84.330	26,520	
Grants to States for Incarcerated Youth Offenders	84.331	127,325	
Comprehensive School Reform Demonstration	84.332	474,663	375,924
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	3,587,420	
Child Care Access Means Parents in School	84.335	141,790	
Teacher Quality Enhancement Grants	84.336	1,884,425	762,799
Vocational Education - Occupational and Employment Information State Grants	84.346	127,156	94,000
Transition to Teaching	84.350	84,776	-2,088
Reading First State Grants	84.357	7,343,615	5,346,636
Rural Education	84.358	110,863	108,335
English Language Acquisition Grants	84.365	2,784,543	2,646,851
Mathematics and Science Partnerships	84.366	953,434	676,323
Improving Teacher Quality State Grants	84.367	22,679,889	21,524,432
Grants for State Assessments and Related Activities	84.369	3,349,408	
National Assessment of Educational Progress	84.902	18,762	
Hurricane Education Recovery	84.938	749,475	749,475
<b>Total Not Clustered</b>		<b>\$212,390,138</b>	<b>\$159,827,436</b>
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	84.000	388,712	
Bilingual Education - Professional Development	84.195	26,783	
Fund for the Improvement of Education	84.215	201,053	66,096
National Writing Project	84.928	45,000	
<b>Total Research and Development Programs Cluster</b>		<b>\$661,548</b>	<b>\$66,096</b>
<b>Not Clustered</b>			
Rehabilitation Services Demonstration and Training Programs	84.235	11,982	
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	16,672	
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	25,211	
Preparing Tomorrow's Teachers in Technology - Learning Generation	84.342	17,964	
21st Century Chautauqua: An Empowered Learning Community	84.342	40,000	
National Writing Project	84.928	46,805	
<b>Total Not Clustered</b>		<b>\$158,634</b>	
<b>Total U. S. Department of Education</b>		<b>\$594,362,195</b>	<b>\$283,745,890</b>
<b>U.S. Election Assistance Commission</b>			
<b>Direct Award</b>			
Not Clustered			
Help America Vote Act Requirements Payments	90.401	475,077	
<b>Total Not Clustered</b>		<b>\$475,077</b>	
<b>Total U.S. Election Assistance Commission</b>		<b>\$475,077</b>	
<b>U. S. Department of Health and Human Services</b>			
<b>Direct Award</b>			
Student Financial Aid Cluster:			

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Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	794,149	
Nursing Student Loans	93.364	221,746	
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	43,273	
<b>Total Student Financial Aid Cluster</b>		<b>\$1,059,168</b>	
Research and Development Programs Cluster:			
Non-catalog miscellaneous	93.000	217,369	
Environmental Health	93.113	24,880	
Centers of Excellence	93.157	14,550	
Research Related to Deafness and Communication Disorders	93.173	523,217	
Allied Health Special Projects	93.191	238	
Research and Training in Complementary and Alternative Medicine	93.213	30,000	
Mental Health Research Grants	93.242	185,778	
Alcohol Research Programs	93.273	235,597	
Drug Abuse and Addiction Research Programs	93.279	54,765	
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	112,172	
Nursing Research	93.361	32,828	
National Center for Research Resources	93.389	2,953,320	295,781
Academic Research Enhancement Award	93.390	62,936	
Cancer Cause and Prevention Research	93.393	243,072	
Cancer Treatment Research	93.395	2,179	
Cancer Centers Support Grants	93.397	100	
Cancer Control	93.399	2,211	
Head Start	93.600	872	
Social Services Research and Demonstration	93.647	17,605	
Health Careers Opportunity Program	93.822	22,301	
Heart and Vascular Diseases Research	93.837	287,559	
Lung Diseases Research	93.838	47,144	
Blood Diseases and Resources Research	93.839	216,737	
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	12,182	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	489,028	
Allergy, Immunology and Transplantation Research	93.855	631,260	
Microbiology and Infectious Diseases Research	93.856	385,938	
Biomedical Research and Research Training	93.859	1,386,254	64,503
Child Health and Human Development Extramural Research	93.865	287,501	
Aging Research	93.866	278,345	135,730
Vision Research	93.867	1,042,830	
Health Care and Other Facilities	93.887	91,369	
Resource and Manpower Development in the Environment Health	93.894	11,473	
<b>Total Research and Development Programs Cluster</b>		<b>\$9,903,610</b>	<b>\$496,014</b>
Not Clustered			
Non-catalog miscellaneous	93.000	1,474,134	153,340
Public Health and Social Services Emergency Fund	93.003	1,906,727	
Compassion Capital Fund	93.009	634,426	
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	29,036	29,036
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	202,306	
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	179,961	179,961
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	93.048	126,209	32,267
National Family Caregiver Support	93.052	1,737,275	1,626,217
Food and Drug Administration - Research	93.103	4,385	
Maternal and Child Health Federal Consolidated Programs	93.110	303,042	83,700
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	441,549	
Emergency Medical Services for Children	93.127	112,292	

*State of Kansas*  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended June 30, 2007*

<i>Federal Grantor/Program</i>	<i>CFDA Number</i>	<i>Expenditures</i>	<i>Funds passed to Subrecipient</i>
Primary Care Services Resource Coordination and Development	93.130	114,810	
Injury Prevention and Control Research and State and Community Based Programs	93.136	778,913	9,096
Projects for Assistance in Transition from Homelessness (PATH)	93.150	209,293	209,293
Grants to States for Loan Repayment Program	93.165	72,000	72,000
Disabilities Prevention	93.184	155,345	
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	397,982	
Family Planning - Services	93.217	2,362,562	2,090,295
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224	657,515	72,000
Epidemiology Cooperative Agreements	93.231	100,000	
Traumatic Brain Injury State Demonstration Grant Program	93.234	55,360	
Abstinence Education Program	93.235	305,315	127,530
State Rural Hospital Flexibility Program	93.241	878,889	30,000
Mental Health Research Grants	93.242	194,434	
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	191,748	
Universal Newborn Hearing Screening	93.251	97,918	10,000
Nurse Faculty Loan Program (NFLP)	93.264	45,628	
Immunization Grants	93.268	2,665,993	64,378
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	14,712,326	4,238,267
Small Rural Hospital Improvement Grant Program	93.301	822,095	806,265
Advanced Education Nursing Traineeships	93.358	179,110	
Cancer Treatment Research	93.395	40,397	
Food Safety and Security Monitoring Project	93.448	25,416	
Ruminant Feed Ban Support Project	93.449	85,299	
Promoting Safe and Stable Families	93.556	2,522,337	
Temporary Assistance for Needy Families	93.558	64,241,054	1,475,660
Child Support Enforcement	93.563	38,820,934	
Refugee and Entrant Assistance - State Administered Programs	93.566	464,999	170,000
Low-Income Home Energy Assistance	93.568	14,753,306	3,069,198
Community Services Block Grant	93.569	5,436,052	5,148,479
Community Services Block Grant - Discretionary Awards	93.570	20,207	
Refugee and Entrant Assistance - Discretionary Grants	93.576	51,966	-894
State Court Improvement Program	93.586	215,168	
Community-Based Child Abuse Prevention Grants	93.590	1,031,060	848,963
Grants to States for Access and Visitation Programs	93.597	99,061	98,459
Chafee Education and Training Vouchers Program (ETV)	93.599	738,742	
Head Start	93.600	283,255	
Adoption Incentive Payments	93.603	640,747	
Voting Access for Individuals with Disabilities - Grants to States	93.617	4,715	
Developmental Disabilities Basic Support and Advocacy Grants	93.630	540,503	119,906
Children's Justice Grants to States	93.643	224,810	74,373
Child Welfare Services - State Grants	93.645	2,272,694	
Social Services Research and Demonstration	93.647	115,390	
Foster Care - Title IV-E	93.658	32,678,532	15,023
Adoption Assistance	93.659	12,604,771	457
Social Services Block Grant	93.667	22,784,089	
Child Abuse and Neglect State Grants	93.669	310,736	169,478
Child Abuse and Neglect Discretionary Activities	93.670	370,707	
Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	93.671	1,085,088	1,036,670
Chafee Foster Care Independence Program	93.674	1,724,426	160,089
State Children's Insurance Program	93.767	46,718,051	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1,425,434	99,048

*State of Kansas*  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended June 30, 2007*

<i>Federal Grantor/Program</i>	<i>CFDA Number</i>	<i>Expenditures</i>	<i>Funds passed to Subrecipient</i>
Grants for Training in Primary Care Medicine and Dentistry	93.884	189,218	
National Bioterrorism Hospital Preparedness Program	93.889	115,000	
Grants to States for Operation of Offices of Rural Health	93.913	153,892	
HIV Care Formula Grants	93.917	2,196,244	518,606
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	418,403	2,186
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943	1,644,862	630,555
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	167,193	
Assistance Programs for Chronic Disease Prevention and Control	93.945	462,417	11,000
Trauma Care Systems Planning and Development	93.952	37,259	
Block Grants for Community Mental Health Services	93.958	3,096,076	2,909,768
Block Grants for Prevention and Treatment of Substance Abuse	93.959	12,030,335	11,008,354
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	886,805	
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	807,726	240,300
Preventive Health and Health Services Block Grant	93.991	962,108	309,160
Maternal and Child Health Services Block Grant to the States	93.994	4,526,798	2,208,239
Bioterrorism Training and Curriculum Development Program	93.996	53,546	
<b>Total Not Clustered</b>		<b>\$312,226,406</b>	<b>\$40,156,722</b>
Medicaid Cluster:			
State Medicaid Fraud Control Units	93.775	691,520	
State Survey and Certification of Health Care Providers and Suppliers	93.777	6,945,940	
Medical Assistance Program	93.778	1,471,131,485	9,450
<b>Total Medicaid Cluster</b>		<b>\$1,478,768,945</b>	<b>\$9,450</b>
CCDF - Child Care Cluster:			
Child Care and Development Block Grant	93.575	44,192,344	7,457,261
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	24,075,071	
<b>Total CCDF - Child Care Cluster</b>		<b>\$68,267,415</b>	<b>\$7,457,261</b>
Aging Cluster:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	3,491,760	3,267,061
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	5,339,663	4,937,922
Nutrition Services Incentive Program	93.053	1,546,842	1,546,842
<b>Total Aging Cluster</b>		<b>\$10,378,265</b>	<b>\$9,751,825</b>
Indirect Award			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	93.000	173,468	
Food and Drug Administration - Research	93.103	2	
Research Related to Deafness and Communication Disorders	93.173	85,181	
Research and Training in Complementary and Alternative Medicine	93.213	45,135	
National Center for Research Resources	93.389	1,555,278	
Heart and Vascular Diseases Research	93.837	2,470	
Digestive Diseases and Nutrition Research	93.848	30,398	
Allergy, Immunology and Transplantation Research	93.855	131,137	
Microbiology and Infectious Diseases Research	93.856	54,012	
Child Health and Human Development Extramural Research	93.865	23,361	
Non-catalog miscellaneous	93.934	56,878	
<b>Total Research and Development Programs Cluster</b>		<b>\$2,157,320</b>	
Not Clustered			
Non-catalog miscellaneous	93.000	34,132	
National Center for Research Resources	93.389	18,305	
Head Start	93.600	32,116	
Geriatric Education Centers	93.969	11,134	
<b>Total Not Clustered</b>		<b>\$95,687</b>	

*State of Kansas*  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended June 30, 2007*

<i>Federal Grantor/Program</i>	<i>CFDA Number</i>	<i>Expenditures</i>	<i>Funds passed to Subrecipient</i>
CCDF - Child Care Cluster:			
Child Care and Development Block Grant	93.575	3,151	
<b>Total CCDF - Child Care Cluster</b>		<b>\$3,151</b>	
<b>Total U. S. Department of Health and Human Services Corporation for National and Community Service</b>		<b>\$1,882,859,967</b>	<b>\$57,871,272</b>
<b>Direct Award</b>			
Not Clustered			
State Commissions	94.003	93,114	
Learn and Serve America - School and Community Based Programs	94.004	271,214	201,769
AmeriCorps	94.006	1,370,189	875,536
Planning and Program Development Grants	94.007	38,500	
Training and Technical Assistance	94.009	55,225	
<b>Total Not Clustered</b>		<b>\$1,828,242</b>	<b>\$1,077,305</b>
Foster Grandparent/Senior Companion Cluster:			
Foster Grandparent Program	94.011	542,332	
Senior Companion Program	94.016	436,317	
<b>Total Foster Grandparent/Senior Companion Cluster</b>		<b>\$978,649</b>	
<b>Indirect Award</b>			
Research and Development Programs Cluster:			
Learn and Serve America - School and Community Based Programs	94.004	22,821	
AmeriCorps	94.006	74,691	
<b>Total Research and Development Programs Cluster</b>		<b>\$97,512</b>	
<b>Total Corporation for National and Community Service</b>		<b>\$2,904,403</b>	<b>\$1,077,305</b>
<b>Social Security Administration</b>			
<b>Direct Award</b>			
Disability Insurance/SSI Cluster:			
Social Security - Disability Insurance	96.001	13,986,849	
<b>Total Disability Insurance/SSI Cluster</b>		<b>\$13,986,849</b>	
<b>Total Social Security Administration</b>		<b>\$13,986,849</b>	
<b>U. S. Department of Homeland Security</b>			
<b>Direct Award</b>			
Research and Development Programs Cluster:			
State and Local All hazards Emergency Operations Planning	97.510	271	
<b>Total Research and Development Programs Cluster</b>		<b>\$271</b>	
Not Clustered			
Pilot Demonstration or Earmarked Projects	97.001	1,014,320	1,014,320
Boating Safety Financial Assistance	97.012	587,676	
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	147,050	147,050
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	131,058	
Disaster Unemployment Assistance	97.034	49,267	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	74,272,424	72,092,814
Hazard Mitigation Grant	97.039	1,567,430	1,559,430
National Dam Safety Program	97.041	224,147	
Emergency Management Performance Grants	97.042	2,551,453	1,176,584
Cooperating Technical Partners	97.045	2,806,375	
Citizen Corps	97.053	194	
Map Modernization Management Support	97.070	112,309	
Metropolitan Medical Response System	97.071	68,276	68,276
Buffer Zone Protection Plan (BZPP)	97.078	622,273	560,856
<b>Total Not Clustered</b>		<b>\$84,154,252</b>	<b>\$76,619,330</b>
Homeland Security Cluster:			
State Domestic Preparedness Equipment Support Program	97.004	2,581,034	1,090,923
Homeland Security Grant Program	97.067	1,843,115	1,301,313
State Homeland Security Program (SHSP)	97.073	9,467,433	7,817,208

*State of Kansas*  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended June 30, 2007*

<i>Federal Grantor/Program</i>	<i>CFDA Number</i>	<i>Expenditures</i>	<i>Funds passed to Subrecipient</i>
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	3,297,011	2,750,655
<b>Total Homeland Security Cluster</b>		<b>\$17,188,593</b>	<b>\$12,960,099</b>
Indirect Award			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	97.000	4,321	
<b>Total Research and Development Programs Cluster</b>		<b>\$4,321</b>	
<b>Total U. S. Department of Homeland Security</b>		<b>\$101,347,437</b>	<b>\$89,579,429</b>
U. S. Agency for International Development			
Indirect Award			
Research and Development Programs Cluster:			
Non-catalog miscellaneous	98.000	683,974	486,399
USAID Foreign Assistance for Programs Overseas	98.001	40,399	
<b>Total Research and Development Programs Cluster</b>		<b>\$724,373</b>	<b>\$486,399</b>
<b>Total U. S. Agency for International Development</b>		<b>\$724,373</b>	<b>\$486,399</b>
Other Federal Grants/Non-catalog Miscellaneous			
Direct Award			
Not Clustered			
Drug Enforcement Administration - DCE/SP Program	99.999	39,540	
Peace Corps Recruitment	99.999	16,300	
Radio Community Service Grant through the Corporation for Public Broadcasting	99.999	223,980	
Study of the Uninsured, Finding and Filling the Gaps	99.999	169,198	169,198
<b>Total Not Clustered</b>		<b>\$449,018</b>	<b>\$169,198</b>
Indirect Award			
Not Clustered			
Prevention Fellowship Program	99.999	11,538	
<b>Total Not Clustered</b>		<b>\$11,538</b>	
<b>Total Other Federal Grants/Non-catalog Miscellaneous</b>		<b>\$460,556</b>	<b>\$169,198</b>
<b>Total Federal Award Expenditures</b>		<b>\$3,903,850,490</b>	<b>\$719,480,472</b>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

\* Expenditures for CFDA No. 17.225 include State Unemployment Insurance Benefits in the amount of \$225,999,348.

# STATE OF KANSAS

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2007

### 1 - General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal award programs of the State of Kansas (the State). The State's financial reporting entity is described in Note 1 of the State's basic financial statements. Federal awards received directly from federal agencies, as well as passed through other third-party entities, are included in the schedule. Federal awards passed through other third-party entities are shown as indirect awards in the schedule.

### 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards presents total federal awards expended for each individual federal award program in accordance with Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (the Catalog). Federal award titles not presented in the Catalog but the applicable Federal agency has been identified are reported with the related Federal agency prefix number followed by (.XXX) or (.000). Federal award titles not presented in the Catalog and the applicable Federal agencies have not been identified are reported as 99.999.

### 3 - Basis of Accounting

Except for certain noncash federal award programs described below and revolving loan funds (see Note 5), the accompanying schedule is presented on a cash basis of accounting. Commodity food distribution is presented at the value assigned to the commodities by the federal granting agency. Food stamps are presented on the basis of the redeemable value of the food stamps distributed to recipients. Higher Education Act insured loans are presented on the basis of the amount of new loans provided from these programs during the current year.

STATE OF KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

4 - Student Financial Assistance Programs

Federally funded student financial assistance programs are administered for the State of Kansas by the various Board of Regents institutions. The programs at each institution are administered separately from those of any other institution. Federal Family Education Loans, Federal Direct Student Loans and Health Professions Student Loans are made by financial institutions rather than by the educational institution.

5 - Revolving Loan Fund

The Community Development Block Grant (administered by the Kansas Department of Commerce), the Water Pollution Control Revolving Fund and the Public Water Supply Loan Fund (both administered by the Kansas Department of Health and Environment) are revolving loan funds. New loans provided under these programs are included as expenditures on the Schedule. The State had the following loan balances outstanding at June 30, 2007:

	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grant Loans	14.228	\$ 14,135,063
Water Pollution Control Revolving Fund	66.458	500,540,940
Public Water Supply Loan Fund	66.468	231,656,886



STATE OF KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted:	None

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unqualified
Internal control over major programs:	
Material weaknesses identified	Finding No. 2007-11
Significant deficiencies identified that are not considered to be material weaknesses	Findings Nos. 2007-5 and 2007-7 through 2007-10
Audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	Yes

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section I - Summary of Auditor's Results (Continued)**

Identification of the State's major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
Food Stamp Cluster	10.551, 10.561
National Guard Military Operations and Maintenance (O&M) Projects	12.401
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126
Student Financial Aid Cluster	84.007, 84.032, 84.033, 84.063, 84.268, 84.375, 84.376, 93.342, 93.364, 93.925
Temporary Assistance for Needy Families	93.558
Foster Care – Title IV-E	93.658
Adoption Assistance	93.659
Social Services Block Grant	93.667
Medicaid Cluster	93.775, 93.777, 93.778
Research and Development Cluster	Various – identified separately in the Schedule
 Dollar threshold used to distinguish between Type A and Type B programs	 \$ 11,711,551
 Auditee qualified as a low risk auditee?	 No

**Section II – Financial Statement Findings**

None reported.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section III -Findings and Questioned Costs for Federal Awards**

**Finding No. 2007-1**

*Federal Program* – Food Stamps Cluster (CFDA No. 10.551 and 10.561), U.S. Department of Agriculture, Kansas Department of Social and Rehabilitation Services (SRS), Grant No. 12-35

*Condition* – The State has two subrecipients to help carry out certain purposes of the program. While the State has subrecipient monitoring procedures in place that include informing subrecipients of the required information for all their subrecipients, the State did not communicate the federal grant's CFDA number to either of the two subrecipients for the Food Stamp Cluster.

*Criteria* –According to 31 USC 7502(f)(2)(B), grantees must communicate the Federal award information including the CFDA title and number, award name, name of Federal agency and applicable compliance requirements.

*Cause* – A lack of review of subgrant files for certain required information.

*Effect* – The State's subrecipients may not follow federal guidelines if they are not properly informed of the appropriate Federal program information.

*Questioned Costs* – Unknown

*Recommendation* – We recommend that the State implement procedures that will include communicating the federal award information and compliance requirements to all subrecipients.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management's Response/Corrective Action Plan (Unaudited)* – SRS Food Stamp program staff will ensure all grantees are aware of this information in the future. We do make sure CFDA information is communicated to grantees but failed to document this information in our files.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-2**

*Federal Program* – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA No. 10.557), U.S. Department of Agriculture, Food and Nutrition Services, Kansas Department of Health and Environment, Grant No. 3KS700703

*Condition* – A review conducted by the Mountain Plains Regional Office, Food and Nutrition Services of the U.S. Department of Agriculture noted one instance where the Kansas Department of Health and Environment (KDHE) issued their monitoring report for a local agency 140 days after the completion of their review of the local agency.

*Criteria* – Federal Regulations 7 CFR 246.19(b)(4) states that “The State agency must promptly notify a local agency of any finding in a monitoring review that the local agency did not comply with program requirements. The State agency must require the local agency to submit a corrective action plan, including implementation timeframes, within 60 days of receipt of a State agency report of a monitoring review containing a finding of program noncompliance. The State agency must monitor local agency implementation of corrective action plans.”

*Cause* – The report was not filed in a timely manner due to the use of three separate Monitoring Review spreadsheets instead of just one spreadsheet.

*Effect* – Not issuing the monitoring report in a timely manner also means that corrective active plans are not implemented and approved by local agencies in a timely manner. Until the report is issued and the local agency can implement a corrective action plan, local agencies may continue to repeat the issues found during monitoring, leading to possible eligibility and other violations.

*Questioned Costs* – Unknown

*Recommendation* – The Mountain Plains Regional Office, Food and Nutrition Services of the U.S. Department of Agriculture is recommending that KDHE use one master Monitoring Review spreadsheet rather than three separate spreadsheets. In addition, Mountain Plains Regional Office, Food and Nutrition Services of the U.S. Department of Agriculture is recommending that KDHE revise its State Procedure Manual to conform to Federal Regulations 7 CFR 246.19(b)(4) which allows KDHE greater than 30 days to issue monitoring reports. We recommend that KDHE implement the grantor’s suggestions.

STATE OF KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-2 (Continued)**

*Auditee Contact* – David Thomason, Director, Kansas Department of Health and Environment – Nutrition and WIC Services

*Management's Response/Corrective Action Plan (Unaudited)* – We agree that KDHE was not timely in submitting the monitoring reports to all Local Agencies as required by our own policies and procedures. To address this issue, several procedures were changed or implemented immediately to ensure compliance with policies and procedures. We have instituted one “master spreadsheet” to track all correspondence for and reports about the ME of LA. One individual will be assigned the task of tracking submission of reports to LA by SA staff, as well as timely receipt of responses from LA. This should decrease the potential for any reports to not be processed within established timeframes.

SA staff decided to keep the 30 day requirement for receipt of responses to LA. It is thought that with our new tracking system we should be able to better monitor compliance with this requirement. It will also ensure that, should the response be delayed for a time, they should always be received within 60 days, thus ensuring timely corrective action by the LA.

**Finding No. 2007-3**

*Federal Program* – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA No. 10.557), U.S. Department of Agriculture, Food and Nutrition Service (FNS), Kansas Department of Health and Environment, Grant No. 3KS700703

*Condition* – Equipment exceeding \$25,000 was purchased by the Kansas Department of Health and Environment (KDHE) without prior written approval from FNS.

*Criteria* – Federal Regulations 7 CFR 3016.22 requires “ADP (Automatic Data Processing) acquisitions with a total project cost of \$25,000 to \$499,999 require a written request for prior approval from the FNS Regional Office, including an explanation of the purchase(s), description of needs, and other information appropriate to the proposed acquisition (cost allocation, procurement documents, etc, as appropriate).”

*Cause* – KDHE felt that the purchases were covered under a previous Advance Planning Document (APD) and therefore did not obtain approval from FNS before proceeding with the purchases.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-3 (Continued)**

*Effect* – While the equipment purchased was allowable to the grant program in this instance, the lack of prior approval could lead to unallowable costs being charged to the grant program as well as penalties imposed by FNS.

*Questioned Costs* – Unknown

*Recommendation* – KDHE should develop and implement procedures that would monitor the scope of ADP expenditures so that such expenditures exceeding the threshold for prior FNS approval are not approved for payment until such approval has been obtained.

*Auditee Contact* – David Thomason, Director, Kansas Department of Health and Environment -- Nutrition and WIC Services

*Management's Response/Corrective Action Plan (Unaudited)* – This purchase was for replacement printers at our local agencies. This was necessary due to the fact that the manufacturer was no longer going to provide support for this model printer, as it was being phased out and replaced by another model. We believed it was prudent for us to replace the obsolete models before they began having performance issues, or began failing at our clinics.

Several factors led us to make this purchase without first contacting USDA. First, we had a short time frame to place orders with the manufacturer after we heard of existing printers being phased out. We wanted to use spend forward funds for the purchase, because they were large enough to do so, and would allow for statewide replacement as soon as possible.

Secondly, since it was well after implementation of our system, we assumed that this decision would be one of our normal, on-going decisions relating to nutrition services administration, and did not need prior approval from USDA.

Finally, KDHE does not consider purchases of these types to be either “equipment” or a “capital expenditure.” The KDHE also does not look at purchases in the aggregate, but on the unit cost, so we were also functioning under these guidelines.

We do not anticipate anything like this occurring in the future, as we do not expect situations like this to arise again. Even if some component of ADP at the local level should need immediate replacement, we should have no problem remaining under the newly established \$100,000 threshold. This being said, should anything similar arise, we will contact USDA for guidance and approval before any purchase is made.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-4**

*Federal Program* – Rehabilitation Services: Vocational Rehabilitation Grants to States (CFDA No. 84.126), U.S. Department of Education, Kansas Department of Social and Rehabilitation Services (SRS), Grant No. H126A060022

*Cause and Condition* – The U.S. Department of Education conducted a review of the Rehabilitation Services grant during the fall of 2006 through the summer of 2007 for fiscal year 2005 and 2006. As a result of this review, they cited that the State's agreements with third parties were subgrants, not contracts, which are prohibited.

*Criteria* – The Education Department General Administrative Regulations (EDGAR) state that subgranting is not permitted unless specifically allowed under the statute authorizing the particular program (34 CFR 76.50(b)(2)). The Act does not specifically permit subgranting of Title I funds and therefore these funds cannot be used in this manner.

*Effect* – The State subgranted Rehabilitation Services funding to 13 different entities during State fiscal year 2007.

*Questioned Costs* – Unknown

*Recommendation* – We recommend the State implement the federal grantor's suggestions and cease subgranting Vocational Rehabilitation funds and develop alternate means for the disbursement of funds.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management's Response/Corrective Action Plan (Unaudited)* – SRS did implement the federal grantor's suggestions and this was noted in the final FY 2007 Monitoring Report of the State of Kansas found at the U.S. Department of Education web site. Effective July 1, 2007, SRS and Kansas Rehabilitation Services agreed to:

- Provide the RSA Fiscal Unit all executed subgrants entered into during FYs 2002 through 2007 for review.
- Develop new contracting documents for the expenditure and monitoring of funds according to the Act and applicable regulations.
- Develop new contracting processes to bring the program and fiscal management of the program into compliance with the Act and applicable regulations.

These 13 different entities no longer receive Title 1 funds through grants.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-5 (Repeated from Prior Year) (Significant Deficiency)**

*Federal Program* – Temporary Assistance for Needy Families Block Grant (TANF) (CFDA No. 93.558), U.S. Department of Health and Human Services (HHS), Kansas Department of Social and Rehabilitation Services (SRS), Grant No. G-0602KSTANF

*Condition* – In January 2007, the HHS Kansas City Office of the Administration for Children and Families was made aware of allegations that Region VII of the State of Kansas Department of Social and Rehabilitation Services had been misusing monies earmarked and allocated for TANF purposes. The allegations state that the Region may have diverted TANF monies to purchase contracted services to primarily assist certain applicants and recipients in achieving their quest for Social Security eligibility. Final information is not yet available regarding amounts and dates of the alleged misuse.

*Cause* – The cause has yet to be determined.

*Effect* – The State of Kansas risks reduced funding and could be required to refund amounts to HHS.

*Questioned Costs* – Unknown

*Recommendation* – The State of Kansas should continue to work with HHS to verify the misuse and take the appropriate actions as directed by HHS “to determine the total amount of misused TANF funds in any Region within the State of Kansas”.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management’s Response/Corrective Action Plan (Unaudited)* – SRS continues to cooperate with HHS and believes the issues identified by HHS have been corrected.

**Finding No. 2007-6**

*Federal Program* – Temporary Assistance for Needy Families Block Grant (TANF) (CFDA No. 93.558), U.S. Department of Health and Human Services, Kansas Department of Social and Rehabilitation Services (SRS), Grant No. G-0702KSTANF

*Condition* – On the ACF 196 report for quarter ended 12/31/06, the “State MOE Expenditures” Non-Assistance Expenditures “Other” amount did not match related supporting documentation.

*Criteria* –The reported information should be supported by accounting records.



STATE OF KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-6 (Continued)**

*Cause* – A lack of reconciliation of the final copy of the report to the related supporting documentation used to prepare the report.

*Effect* – The report mentioned above contained an amount not supported by accounting records therefore, this amount could potentially be incorrect.

*Questioned Costs* – Unknown

*Recommendation* – We recommend the State implement procedures that would include a reconciliation of the final copy of the report to supporting documentation used to prepare the report prior to submitting the report to the federal grantor.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management's Response/Corrective Action Plan (Unaudited)* – The State reported the MOE accurately for the federal fiscal year and the accounting records do support the calculation. The finding reflects a correction to the 12/31/06 main supporting documentation file that was made after the federal report draft was reviewed. The correction should have been documented in the file, however, it was not. The file which documented the calculation of MOE was in a separate file, which was not included with the information provided to the auditor. SRS asserts that MOE funds were reported accurately. Procedures have been put in place in the electronic files linking the source data summary to the draft report to avoid errors like this from occurring. In addition, the files containing MOE calculations are also linked to the source data summary file. The draft report is provided to the manager to review and compare to the final report entered in OLDC prior to final submission.

**Finding No. 2007-7 (Significant Deficiency) (Repeated from Prior Year)**

*Federal Program* – Temporary Assistance for Needy Families Block Grant (TANF) (CFDA No. 93.558), U.S. Department of Health and Human Services, Kansas Department of Social and Rehabilitation Services (SRS), Grant No. G-0702KSTANF.

*Condition* – Four of the twenty-three case files tested for eligibility determinations did not contain verification that there was a minor child in the household. The State maintains that the verification was completed however no written support could be located in the files at the time of the audit.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-7 (Significant Deficiency) (Continued)**

*Criteria* – To be eligible for TANF “assistance” as defined in 45 CFR section 260.31, a family must include a minor child who lives with a parent or other adult caretaker relative. The child must be less than 18 years old, or, if a full-time student in a secondary school (or the equivalent level of vocational or technical training), less than 19 years old.

*Cause* – A lack of review of case files to ensure that proper supporting documentation is maintained.

*Effect* – The TANF participants tested may not have a minor child in the household and, as a result, benefits may be paid to someone not eligible for the program.

*Questioned Costs* – Unknown

*Recommendation* – The State of Kansas should implement controls that would verify that the appropriate documentation is maintained in the case files as support for the State’s eligibility determinations.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management’s Response/Corrective Action Plan (Unaudited)* – SRS has reviewed the TANF cases that failed the ’07 single audit. Upon review of the files, we have determined there were no errors. The cases found to be in error during the audit noted there was no birth certificate/registration in the files. SRS, as we also explained in the response to this finding last year, believes TANF law does not require a birth certificate in the file to prove identity or residence. We believe that there are internal controls in place to assure that accurate benefits are issued to eligible persons.

First, we allow self-attestation - each applicant lists that he/she is in the household and by their signature attest and validate their statements. Second, each TANF applicant must complete a personal interview with an eligibility case manager, who is trained in the art of interviewing. The case manager looks for and responds to any discrepancies in the client’s statements, written verifications or collateral contact information. Third, TANF cases are referred to the Child Support Enforcement division and the TANF recipients complete a full packet of information as to the absent parent(s), the children in the home, and other information needed by our Kansas judicial system. Fourth, the State of Kansas conducts TANF reviews, by our Quality Assurance Department, including home visits. Finally, our TANF recipients are also involved in work programs, where there is intensive case management, and any discrepancies in the household composition would be found.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-7 (Significant Deficiency) (Continued)**

With that being said we did review all four cases and were able to locate birth documents or documents that proved the individual was eligible to receive TANF benefits. The documents included a paternity establishment, birth certificates, hospital certificates, and interface verifications from the Department of Vital Statistics (which manages the birth records for the state of Kansas). Therefore, we find these cases to be eligible for TANF assistance.

**Finding No. 2007-8 (Significant Deficiency)**

*Federal Program* – Foster Care (CFDA No. 93.658), U.S. Department of Health and Human Services, Kansas Department of Social and Rehabilitation Services (SRS), Federal Fiscal Year 2007 Appropriation No. 75-5-1545

*Condition* – We noted 7 out of 23 individuals selected for eligibility testwork were placed with ineligible providers at some point throughout the year. Five were placed with unlicensed relatives, one was placed in an independent living placement, and the last individual was placed with an unlicensed relative and also with someone who had a temporary license. One of the seven individuals was also ineligible due to the lack of a timely permanency hearing.

*Criteria* – According to 42 USC 672(c), "the term "foster family home" means a foster family home for children which is licensed by the State in which it is situated or has been approved, by the agency of such State having responsibility for licensing homes of this type, as meeting the standards established for such licensing; and the term "child-care institution" means a private child-care institution, or a public child-care institution which accommodates no more than twenty-five children, which is licensed by the State in which it is situated or has been approved, by the agency of such State responsible for licensing or approval of institutions of this type, as meeting the standards established for such licensing, but the term shall not include detention facilities, forestry camps, training schools, or any other facility operated primarily for the detention of children who are determined to be delinquent." Eligible individuals must be placed with eligible providers.

*Cause* – There was a change in the way administrative costs could be claimed for youth with unlicensed relatives and the State's procedures were not updated appropriately for this change. Also, internal eligibility procedures were not followed by State employees who determine eligibility.

*Effect* – Federal funds, including administrative and maintenance portions, were paid to ineligible providers.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-8 (Significant Deficiency) (Continued)**

*Questioned Costs* – Total questioned costs are \$459,832. This total includes known questioned costs of \$8,505. The known questioned costs are made up of \$ 8,107 in administrative costs and \$ 398 in maintenance costs. The likely questioned costs are \$ 451,327.

*Recommendation* – We recommend the State update their procedures related to coding eligibility for foster care providers in their system and provide training to those individuals making eligibility coding decisions.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management's Response/Corrective Action Plan (Unaudited)* – SRS concurs with the audit findings regarding ineligible placements. The issues identified in the audit have been corrected. For Selection #'s 1, 2, 4, 5, 6, & 7, the claim has been recalculated back to the quarter ending 03/31/2006, the last quarter for which prior period adjustments could be included on the Title IV-E claim recently filed for the quarter ending 12/31/2007. The impact to this first quarter was included on this claim. This is consistent with the agency's policy to make prior period adjustments to a quarter just prior to that quarter falling off the allowable reporting period. Consistent with this policy, the agency will continue to make the necessary adjustments on future claims.

The impact of rerunning this claim was a reduction of \$1,621,018 FFP in administration costs and a reduction of \$28,296 FFP in maintenance costs for the quarters falling within FY 2007. These figures may include some other miscellaneous adjustments that routinely occur, but the amounts would be minimal based on history.

For Selection #3, the adjustment will be included on the claim for the quarter ending 03/31/2008. The claim will be recalculated back to the quarter ending 06/30/2006, the last quarter for which prior period adjustments will be allowed for the upcoming claim. Adjustments for later quarters will continue to be included on future claims as described above. Policies and procedures related to Title IV-E eligibility and claiming are being revised and expanded. Additional training will be provided to those involved in the processes.

**Finding No. 2007-9 (Significant Deficiency)**

*Federal Program* – Adoption Assistance (CFDA No. 93.659), U.S. Department of Health and Human Services, Kansas Department of Social and Rehabilitation Services (SRS), Federal Fiscal Year 2007 Appropriation

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-9 (Significant Deficiency) (Continued)**

*Cause and Condition* – During testwork of the ACF-IV-E-1, Foster Care and Adoption Assistance Financial Report for the quarter ending June 30, 2007, we noted the Adoption Assistance Payments for Current Quarter Expenditures and Federal Share of Expenditures were overstated. The amounts reported included journal vouchers for corrections on previous quarters, which were using a different Federal Medical Assistance Percentage (FMAP). These correcting entries should have been reported in the adjustment section of the report. In addition, the State reports the Federal Share of Expenditures by using a formula rather than taking the amount directly from federal expenditures in the general ledger. The State multiplies the FMAP for the appropriate federal year with the Current Quarter Expenditures amount.

*Criteria* – Information included in financial reports submitted to the federal grantor should be derived from the accounting records and should be accurately reported for the given time period.

*Effect* – Reporting the federal expenditure amount without first reconciling to the general ledger led to incorrect reporting to the federal grantor agency.

*Questioned Costs* – The Current Quarter Expenditures for the quarter ended June 30, 2007 were overstated by \$ 141,537. The Federal Share of Expenditures for the quarter ended June 30, 2007 was overstated by \$85,267.

*Recommendation* – We recommend reconciling the Federal Share of Expenditures reported on the ACF-IV-E-1 to the general ledger prior to submitting the report.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management's Response/Corrective Action Plan (Unaudited)* – The prior period adjustment was reported as a current period expenditure due to human error. The prior period adjustment not being on the report was not identified when the report was reviewed with program staff.

This was the second time using the new Cost Allocation Plan (CAP). Although checks and balances were in place to confirm the validity of the cost allocation plan in total, individual program checks had not yet been identified. With additional quarters experience using the CAP, program level checks have been identified and variances between the general ledger and CAP results reconciled.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-9 (Significant Deficiency) (Continued)**

It is not appropriate to use general ledger (STARS) Federal Share of Expenditures for reporting. The STARS general ledger calculates the federal and state share of payments based on an estimate of various allocation statistics. The CAP applies actual allocation statistics to calculate actual total costs to which federal and state shares must be applied. STARS is adjusted to reflect the CAP calculated actual expenses included on the federal reports. Particularly in IV-E, the variance between the net federal percentages applied to payments can be significant.

**Finding No. 2007-10 (Significant Deficiency) (Repeated from Prior Year)**

*Federal Program* – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778), U.S. Department of Health and Human Services, Kansas Health Policy Authority, State Fiscal Year 2007 Award

*Condition* – During our claims testwork during the fiscal year 2004 audit, we noted that the Medicaid Management Information System (MMIS) system contained no controls to limit the number of surface repairs paid per tooth to dentists. No similar issues were noted during current year claims testwork, however, as of June 30, 2007, no controls had been implemented to address this finding.

*Criteria* – The MMIS system should include edits and controls that identify unusual items, including safeguarding unnecessary utilization of care or fraudulent claims, for follow up. The State utilizes the MMIS system to ensure proper payment of submitted claims.

*Cause* – There are insufficient edits and controls in the MMIS system to address this specific issue.

*Effect* – A dentist may file an illegitimate claim for more surface repairs on a tooth than the number of surfaces that are actually on a tooth.

*Questioned Costs* – None.

*Recommendation* – In 2004, 2005, 2006, we recommended that the State implement controls in the MMIS system that limit the number of surface repairs a dentist can claim on a specific tooth letter or number.

*Auditee Contact* – Larry Barrett, Audits Manager, Kansas Health Policy Authority

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-10 (Significant Deficiency) (Continued)**

*Management's Response/Corrective Action Plan (Unaudited)* – KHPA updated MMIS policies E2006-38, E2006-39, E2006-40 and E2006-41, which include tooth surface limitations. These policies are being implemented in phases and Phase III has been delayed due to other priorities. It is expected this final phase will be implemented before the end of SFY08. Phase III will assist in limiting the number of surface repairs possible. In addition to this planned final policy implementation, exploration of possible system changes will be done in SFY08 to discover if there is some way to further limit the potential for duplicate billing for specific teeth.

**Finding No. 2007-11 (Material Weakness)**

*Federal Program* – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778), U.S. Department of Health and Human Services (HHS), Kansas Health Policy Authority, State Fiscal Year 2007 Award

*Condition* – The State's "CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program*" financial report (CMS64) is prepared using expenditures generated from fiscal agent's, EDS, payment system. Our audit procedures performed on the CMS 64 report for the quarter ended June 30, 2007 revealed that there is no reconciliation between the CMS 64 expenditures generated from EDS' payment system and the expenditures generated from the State's accounting system, STARS.

*Criteria* – Financial reports should be supported by accounting records that support the audited financial statements and the schedule of expenditures of Federal awards; or if they are supported by alternative records, these records should agree or be reconciled with the accounting records.

*Cause* – The State has not implemented procedures that would include reconciling the CMS 64 to STARS due to the significant amount of time that this procedure would require.

*Effect* – The expenditures reported on the CMS 64 are materially different from those expenditures reported on the State's accounting system, STARS, and a reconciliation between the two sets of records is not performed.

*Questioned Costs* – Unknown

*Recommendation* – The State should implement procedures that include periodically reconciling the CMS 64 report to STARS.

*Auditee Contact* – Larry Barrett, Audits Manager, Kansas Health Policy Authority

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-11 (Material Weakness) (Continued)**

*Management's Response/Corrective Action Plan (Unaudited)* – Although direct reconciliation of financial information between the Statewide Accounting and Reporting System (STARS) and the CMS – 64, Quarterly Statement of Expenditures for the Medical Assistance Program would be desirable, it is not feasibly achievable. Each is a process which serves different functions. STARS records current cash receipt and disbursements. The Medicaid Management Information System (MMIS) is an automated claims payment and information retrieval system that reports the expenditure of Medicaid grant funds for the current quarter and adjustments to prior quarters. The MMIS is required for states and must be designed to meet general systems guidelines that are provided by the Department of Health and Human Services.

Recognizing the complexity of the Medicaid Program and reliance on system and internal controls, KHPA relies on reasonable assurance and therefore, has not formalized procedures to reconcile the CMS-64 to STARS. This, in part, is because KHPA's Budget and Finance Unit's Federal Reporting Section's preparation for the CMS-64 identifies negative adjustments to Medicaid Assistance expenditures which are recorded differently between STARS and MMIS. This process is completed to make the adjustments required for CMS and to ensure the accuracy of the CMS-64 Report

The primary difference is each system's recording for adjustments as being the difference between the CMS-64 Line 6, Current Expenditures for the Quarter and Line 11, Medicaid Assistance Net Expenditures. Negative adjustments may or may not be reported in STARS. STARS will record negative adjustments when and if recoupment is processed. The Prior Period Positive Adjustments are treated as current expenditures in STARS, utilizing the current Federal Medical Assistance Percentage (FMAP) to determine Federal share. When the Prior Period Positive Adjustments are made, STARS cannot distinguish current from prior period for correct application to the FMAP utilizing the current FMAP to calculate Federal share.

For example, for the quarter ending December 31, 2007, expenditures from the CMS-64 Line 6 are \$360,655,280. STARS reported expenditures for the quarter were \$372,485,800. This is a difference of \$11,830,520. Applying the current reconciliation methodology, KHPA's Federal Reporting reduced the difference between the CMS-64 and STARS to \$6,993,629.

Other adjustments affecting the difference include: Sterilization under-claiming, Presumptive eligibility transfers, Journal Vouchers, State only Mental Health and State Only to FFP, previously known as General Assistance to SSI and MediKan. The MAR Reports from EDS provides the documentation for the Medicaid Assistance Expenditures.



## STATE OF KANSAS

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

#### **Finding No. 2007-11 (Material Weakness) (Continued)**

However, another variable in the difference relates back to the functional differences between the two systems. That variable is the effect PCA's have on STARS. Medicaid expenditures in STARS will not support the CMS-64 that expenditure is recorded in STARS using a "State only" PCA. Using a "State only" PCA to record any recoveries of Medicaid expenditures will result in "State only" expenditures being understated in STARS and Medicaid expenditures being overstated. KHPA is addressing this issue with the Business Analysis, Testing and Claims Management and the fiscal agent to resolve this difference. KHPA will examine this process performed by Federal Reporting following implementation of the interchange STARS Interface System (iCSIS). iCSIS will provide KHPA greater control for data by removing SRS' Finance Accounts and Reporting Management System (FARMS) from the funding distribution and warrant preparation process. iCSIS is scheduled for implementation within quarter ending June 30, 2008.

Our examination will focus on defining reasonable assurance and the required documentation. For Fiscal Year 2009, we will evaluate the process and provide training within KHPA and with the other State Medicaid Agencies, particularly for coding. For Fiscal Year 2010, we will contract for a systems evaluation and more specific evaluation for the process. For Fiscal Year 2011, we will implement our redesigned process. For Fiscal Year 2012, we will re-evaluate the process and make adjustments.

#### **Finding No. 2007-12 (Repeated from Prior Year)**

*Federal Program* – Community Development Block Grants/State's Program (CDBG) (CFDA No. 14.228), U.S. Department of Housing and Urban Development (HUD), State of Kansas Department of Commerce, State Fiscal Year 2006 Award

*Condition* – In June 2006, HUD conducted an on-site monitoring review of the State of Kansas CDBG program. This review cited five findings related to the environmental review process. These findings put the State of Kansas at risk of noncompliance with the National Environmental Policy Act and other environmental laws and regulations.

*Criteria* – The State of Kansas must be in compliance with HUD regulation 24 C.F.R. Part 58, "Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities".

*Cause* – The CDBG program was not being adequately monitored to ensure it was operating in compliance with the applicable HUD's regulations.

*Effect* – Noncompliance with the HUD regulation could result in a reduction of HUD assistance or other similar sanctions against the program.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs – Unknown*

**Finding No. 2007-12 (Repeated from Prior Year) (Continued)**

*Recommendation* – The State of Kansas should work with HUD to resolve all deficiencies noted in the review and develop a plan to eliminate the chance of reoccurrence.

*Auditee Contact* - Raymond Hammarlund, Director, Kansas Department of Commerce, Community Development Division

*Management's Response/Corrective Action Plan (Unaudited)* – The State of Kansas Department of Commerce has responded to HUD's findings and is implementing HUD's suggestions which include providing additional training to grantees, revising grant award documents and intensifying scrutiny of projects to ensure that all environmental regulations have been followed.

*Follow-up* – In December 2007, HUD communicated that all the findings were considered closed after reviewing communications from the State in November and December 2007. Since these findings were not closed as of June 30, 2007, this finding is repeated in the current year.

**Finding No. 2007-13 (Repeated from Prior Year)**

*Federal Program* – Public Assistance Grants (CFDA No. 97.036), U.S. Department of Homeland Security, Adjutant General's Department, State of Kansas, which includes the Kansas Department of Emergency Management (KDEM), State Fiscal Year 2007 Awards

*Condition* – In our subrecipient monitoring testwork during the fiscal year 2005 audit, we noted that twenty of twenty-three subrecipients selected for testwork had not submitted an independent audit report or a letter stating they were not required to have an audit performed in accordance with OMB Circular A-133. The State began implementing a corrective action plan in 2006 and 2007, however due to the number of disasters that have affected the State in the past year, this corrective action plan has not been fully implemented.

*Criteria* – According to 31 USC 7502(f)(2)(B) and KDEM's internal subrecipient monitoring policy, the pass-through entity (the State) should receive audit reports from subrecipients required to have an audit in accordance with OMB Circular A-133, issue management decisions on findings related to the program, and require the subrecipients to take timely corrective action on any deficiencies identified.

*Effect* – Subrecipients may not be in compliance with the requirements of OMB and not be detected by the pass-through entity.

STATE OF KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-13 (Repeated from Prior Year) (Continued)**

*Questioned Costs – Unknown*

*Recommendation* – In 2005, we recommended that a formal monitoring process be implemented to track subrecipients who have received federal funding and determine whether or not they have provided the necessary audit documentation. This would allow the State to monitor their subrecipients more closely and detect subrecipient noncompliance.

*Auditee Contact* – Janice Harper, Comptroller, Adjutant General's Department, State of Kansas

*Management's Response/Corrective Action Plan (Unaudited)* –The corrective actions as submitted on May 8, 2006 and in March 2007 have not been fully implemented due to the large number of disasters that have affected the state of Kansas during the last year. These disasters have been declared presidential disasters and are still being worked up to this day.

In February of 2008, KDEM staff met to address the need to complete these corrective actions. The following addresses how the remaining portions of the corrective action plan will be addressed and implemented:

While some details have not yet been determined, the monitoring process should be substantially similar to the following:

- If the entity receiving pass-through federal funds is **another state agency**, an independent audit report or letter stating they are exempt from providing same will not be required since another state agency is not a subrecipient but rather a transferee.
- If the entity receiving pass-through federal funds is a **county**, an independent audit report or letter stating they are exempt from providing same will be required. The following is the corrective action process that will be implemented in the future:

In every application briefing the PA Team provides each applicant with two letters:

- (1) A letter explaining their reporting requirements
- (2) A letter identifying Federal funding sources

The application process explains the reporting requirement of each agency when they have expended over 500K in federal money.

KDEM Fiscal

- Will run a query every quarter to identify any entity that has met the reporting requirements.
- Fiscal will document the results of this inquiry on an excel spread sheet.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-13 (Repeated from Prior Year) (Continued)**

- If an entity has been identified as meeting the requirement an email will be sent to the internal auditor
- Date email sent will be logged on excel spread sheet

Internal Auditor

- Log on excel spread sheet date notified of an entity meeting reporting requirement
- Send the entity a letter telling them of their reporting requirement
- Date letter sent will be logged.

PA Officer

- The audit report, when received, will go to the PA Officer
- PA will photocopy a portion of the report
- PA will log on the excel spread sheet the day report received and photocopied
- PA will send the report to the internal auditor

Internal Auditor

- Log on the excel spread sheet date of receipt of Audit report
- Log on the excel spread sheet reports recommendation
- If the entities audit report is within prescribed guidelines auditor will indicate on spreadsheet
- If it is within prescribed guidelines the report will be closed out and filed
- If there is questions regarding the funds the internal auditor will forward the report to KDEM Fiscal.
- The internal auditor will log the date the report was sent to KDEM Fiscal
- Maintains reports for current report period.
- Turns reports of past years to KDEM Fiscal

KDEM Fiscal

- Will log the report in as received
- Evaluate the discrepancy and determine the action to be taken
- Return report back to entity and ask for a written explanation.
- Log on excel spread sheet date sent to entity. (Certified Mail)
- Determine if a site visit is required
- Maintains reports for past years for three years after the close of the grant

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-13 (Repeated from Prior Year) (Continued)**

The respective Program Managers will be responsible for contacting subrecipients to re-request an audit report or exempt letter if not timely provided to KDEM.

- If the entity receiving pass-through federal funds is a **local unit of government other than a county**, an independent audit report or letter stating they are exempt from providing same will be required. Non-county local units of government will be directed to forward the report or letter to the KDEM Public Assistance Office. The KDEM Public Assistance staff will:
  - ✓ photocopy a page from the audit report which reflects the period covered by the audit report or exempt letter to include in the applicant's folder;
  - ✓ log receipt of the audit report or exempt letter and related information into a spreadsheet viewable by all KDEM staff;
  - ✓ contact sub-recipients to re-request an audit report or exempt letter if not timely provided to KDEM;
  - ✓ forward the audit report or exempt letter to the KDEM Fiscal staff, Fiscal staff will review the audit reports to detect subrecipient noncompliance and perform subsequent activity necessary to resolve any identified deficiencies

**Finding No. 2007-14 (Repeated from Prior Year)**

*Federal Program* – Low Income Housing Energy Assistance Program (LIHEAP) (CFDA No. 93.568), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS), Federal Fiscal Year 2005 Grant Award

*Condition* – During the 2006 audit, we noted that the State of Kansas failed to meet the grant award requirement of including the required wording on documents containing information on the program.

The State failed to implement its correction action plan from the 2006 audit and as a result, this finding is repeated in the current year.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-14 (Repeated from Prior Year) (Continued)**

*Criteria* – The FY 2005 grant terms and conditions state that statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with Federal money shall clearly state the percentage of the total costs of the program or project which will be financed with Federal dollars, the dollar amount of Federal funds for the project or program, and the percentage and dollar amount of the total costs of the project or program that will be financed by nongovernmental sources.

*Cause* – Specific grant conditions listed in the grant award package were not provided to the grant's Program Manager. Accordingly, the Program Manager was not aware of the wording requirements.

*Effect* – By not following the terms and conditions outlined by the grant award, the State of Kansas may jeopardize potential future funding from HHS.

*Questioned Costs* – Unknown.

*Recommendation* – The State of Kansas should perform a review of all documentation being released to the public to ensure that it contains the required wording. The State of Kansas should also ensure that all parties working with the program are aware of the additional terms and conditions listed on the grant award or in the compliance supplement.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management's Response/Corrective Action Plan (Unaudited)* – In the 2008 fiscal year, SRS plans on implementing new procedures and controls that will prevent this from happening in the future.

**Finding No. 2007-15 (Repeated from Prior Year)**

*Federal Program* – Block Grants for the Prevention and Treatment of Substance Abuse (SAPT) (CFDA No. 93.959), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS), Federal Fiscal Year 2006 and 2007 Grant Awards

*Condition* – During the 2006 audit, we noted that the SAPT program did not conduct the required independent peer reviews of the entities providing SAPT services. Our follow-up procedures found that the independent peer reviews were not conducted during 2007. As such, this finding is repeated.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-15 (Repeated from Prior Year) (Continued)**

*Criteria* – The State must provide for independent peer reviews which assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least 5 percent of the entities providing services in the State shall be reviewed. The entities reviewed shall be representative of the entities providing the services. The State shall ensure that the peer reviewers are independent by ensuring that the peer review does not involve reviewers reviewing their own programs and the peer review is not conducted as part of the licensing or certification process (42 USC 300x-53(a); 45 CFR section 96.136).

*Cause* – The SAPT program’s Independent Peer Review function has been temporarily phased out due to internal struggle over how to monitor this function.

*Effect* – The quality, appropriateness, and efficacy of treatment services provided by the entities are not in compliance with State and Federal guidelines. Noncompliance could result in a reduction of federal funding.

*Questioned Costs* – Unknown

*Recommendation* – We recommend that the State reestablish an annual review process so that at least 5 percent of the entities providing services in the State are reviewed each year in order for the State to be in compliance with federal guidelines.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management’s Response/Corrective Action Plan (Unaudited)* – When SRS Addiction and Prevention Services (AAPS) moved to a managed care system in 1997-1998, the Regional Alcohol and Drug Assessment Centers (RADAC’s) sent staff with the managed care organization to conduct what was defined at that time by the State as independent peer reviews. These visits consisted of file and billing reviews. After the managed care organization was dissolved, the RADAC’s continued these visits, reviewing files and providing feedback. These visits continued from 1998 through 2001. In 2001, a decision was made to conduct joint visits with AAPS licensing staff. Between 2001 and 2003, the peer reviews were gradually phased out. In 2004, a System Redesign project was implemented and the discussion about Quality Improvement and Independent Peer Review resurfaced. SRS AAPS has recently entered into a contract with an independent organization to conduct these reviews and plans are to implement the new process by July 2007.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-15 (Repeated from Prior Year) (Continued)**

During 2007, the management for the Block Grant Funds was put out on a RFP for a PIHP bid. The RFP had extensive expected Quality Improvement protocols embedded in the document to assure that peer review was addressed. The contract was awarded to ValueOptions, a NCQA accredited managed behavioral health organization. Kansas Addiction and Prevention Services (AAPS) has made extensive progress in the development of oversight and monitoring protocols to assure that the PIHP in compliance in the federal requirements.

Perhaps the most germane development relative to Peer Review is the development of a Statewide AAPS Quality Committee (SQC). Peer Review activities are one of this Committee's advisory responsibilities. The SQC is composed of substance professionals (including a physician) who are network providers from every level of care and representation from all six (6) SRS regions. Extensive Data analysis was used to ascertain the numbers and types of providers on the SQC provided adequate representation of populations served. The SQC also includes appropriate AAPS QI staff, prevention representation and a consumer. Committee members had orientation to QI processes prior to meeting. Each member signed a confidentiality statement. This committee met for the first time in August of 2007 and will continue to meet quarterly thereafter.

**Finding No. 2007-16 (Repeated from Prior Year)**

*Federal Program* – State Children's Insurance Program (SCHIP) (CFDA No. 93.767), U.S. Department of Health and Human Services, Kansas Health Policy Authority (KHPA), Federal Appropriation No. 7570515

*Condition* – In the 2006 audit, we noted that the State of Kansas utilizes a contractor, Maximus, to process eligibility determinations for the SCHIP program. Historically, the State of Kansas has relied upon the controls of Maximus in the processing of these eligibility determinations. A complete review of the controls related to the eligibility determination process had not been performed by a third party and a SAS 70 report had not been received. The SAS 70 review and related report was not completed during the fiscal year 2007. As such, this finding is repeated in the current year.

*Criteria* – A SAS 70 Type II Service Auditors' Report is required by the State of Kansas for any contractor that is providing processing services, in this case processing eligibility determinations, for the State of Kansas' SCHIP program. The SAS 70 Type II Service Auditors' Report provides the auditors' opinion on the internal controls placed in operation by the contractor. The report also states whether the auditors believe that the controls are designed and operated with sufficient effectiveness to provide reasonable assurance that control objectives would be achieved.



STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-16 (Repeated from Prior Year) (Continued)**

*Effect* – Eligibility determinations for the SCHIP program are processed by Maximus. If the proper controls are not in place and are not being adequately monitored, eligibility determinations may be incorrectly processed.

*Questioned Costs* – Unknown

*Recommendation* – The State of Kansas should require that Maximus provide a SAS 70 Type II Service Auditors' Report on the internal control over its eligibility determination processing for the SCHIP program. Any other areas of processing which are significant to the SCHIP program should also be covered by the report. Additionally, as future contracts are negotiated for service organizations to process eligibility determinations, the requirement for an annual SAS 70 report should be included as a contract provision.

*Auditee Contact* – Larry Barrett, Audits Manager, Kansas Health Policy Authority

*Management's Response/Corrective Action Plan (Unaudited)* – The eligibility issues contained in this audit finding will be addressed in the next Request for Proposal (RFP) with a contractor for Clearinghouse activities. The RFP covering eligibility issues will be initiated by January 1, 2008 and implemented in the new contract beginning September 30, 2008.

*Follow-up* – KHPA has included the need for a SAS 70 Type II opinion for the processing of SCHIP eligibility determinations in the current Request for Proposal (RFP). Due to delay in funding by the State Legislature, we expect the new contract to start September 30, 2009. KHPA will review the SAS 70 Type II Service Auditors' Report to ensure eligibility determinations will be correctly processed.

**Finding No. 2007-17 (Repeated from Prior Year)**

*Federal Program* – Social Security - Disability Insurance Cluster, (CFDA No. 96.001/96.006), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services, All Open Grant Awards

*Condition* – In October 2002, the Social Security Administration's Office of the Inspector General performed an audit of the State of Kansas' Disability Determination Services program. This review cited known questioned costs of \$201,218 related to unallowable costs, which have been refunded to the Social Security Administration, and disputed questioned costs of \$4,923,606 related to indirect costs inappropriately charged to the program.

STATE OF KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2007-17 (Repeated from Prior Year) (Continued)**

*Cause* – According to the Office of Inspector General, the questioned costs were caused by “incorrect indirect cost allocations, inappropriate non-SSA work cost charges, and inaccurate other nonpersonnel costs.”

*Effect* – The State of Kansas has refunded \$201,218 of the unallowable costs to the Social Security Administration. The disputed questioned costs related to the indirect costs are currently under appeal with the Department of Health and Human Services (HHS).

*Questioned Costs* – \$201,218 known questioned costs, \$4,923,606 disputed questioned costs

*Recommendation* – The State should implement the procedures recommended by the Office of Inspector General to ensure future unallowable costs do not occur. The State is currently awaiting the outcome of their appeal to HHS regarding the indirect costs.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management's Response/Correction Action Plan (Unaudited) (Follow-up)* – As of March 2008, the State is still awaiting the outcome of their appeal to HHS regarding the indirect costs.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS

Year Ended June 30, 2007

**Finding No. 06-1**

*Federal Program* – Section 8 Cluster (CFDA No. 14.195), U.S. Department of Housing and Urban Development, Kansas Housing Resources Corporation (KHRC), All Grant Awards

*Cause and Condition* – KHRC contracts for certification services with EPS, Inc. A complete independent review of the controls related to the certification services provided by EPS, Inc. has not been performed by a third party and a SAS 70 report has not been received.

*Criteria* – A SAS 70 Type II Service Auditors' Report is required for any contractor that is providing processing services, in this case processing certifications for KHRC. The SAS 70 Type II Service Auditors' Report provides the auditors' opinion on the internal controls placed in operation by the contractor. The report also states whether the auditors believe that the controls are designed and operated with sufficient effectiveness to provide reasonable assurance that control objectives would be achieved.

*Effect* – Resident certification and recertification data and voucher data are processed by EPS, Inc. If the proper controls are not in place and are not being adequately monitored, data may be incorrectly processed.

*Questioned Costs* – Unknown

*Recommendation* – KHRC performs an internal review of EPS, Inc. However, KHRC should require that EPS, Inc. provide a SAS 70 report on internal control over its Tenant Rental Certification System (CaTRACer), which is used to meet KHRC's processing and reporting requirements of its contract with the U.S. Department of Housing and Urban Development. Additionally, as future contracts are negotiated with EPS, Inc. for services, the requirement for an annual SAS 70 report should be included as a contract provision.

*Auditee Contact* – Susan M. James, CPA, Controller, Kansas Housing Resources Corporation

*Management's Response/Corrective Action Plan (Unaudited)* – KHRC talked with EPS, Inc. about a SAS 70 report for its TRACS, and agreed to the following corrective action:

1. EPS, Inc. will make every effort to provide a Type I SAS 70 report by the end of KHRC's 2007 fiscal year (June 30, 2007).
2. For KHRC's fiscal year 2008 and each year thereafter that EPS, Inc. performs processing services for KHRC, EPS, Inc. will provide a Type II SAS 70 report.

KHRC will add an addendum to its current contract requiring EPS, Inc. to provide SAS 70 reports as noted above. This contractual provision will be included in future contracts for processing services.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding 06-1 (Continued)**

*Follow-up* – As recommended in the prior year, EPS, Inc. provided a Type I SAS 70 report to KHRC for the year ended June 30, 2007. In addition, EPS, Inc. and KHRC have a memorandum of agreement that stipulates that a Type II SAS 70 report for EPS, Inc. will be provided for the year ended June 30, 2008. This finding is considered resolved.

**Finding No. 06-2**

*Federal Program* – Community Development Block Grants/State's Program (CDBG) (CFDA No. 14.228), U.S. Department of Housing and Urban Development (HUD), State of Kansas Department of Commerce, All Grant Awards

*Condition* – In June 2006, HUD conducted an on-site monitoring review of the State of Kansas CDBG program. This review cited five findings related to the environmental review process. These findings put the State of Kansas at risk of noncompliance with the National Environmental Policy Act and other environmental laws and regulations.

*Criteria* – The State of Kansas must be in compliance with HUD regulation 24 C.F.R. Part 58, "Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities".

*Cause* – The CDBG program was not being adequately monitored to ensure it was operating in compliance with the applicable HUD's regulations.

*Effect* – Noncompliance with the HUD regulation could result in a reduction of HUD assistance or other similar sanctions against the program.

*Questioned Costs* – Unknown

*Recommendation* – The State of Kansas should work with HUD to resolve all deficiencies noted in the review and develop a plan to eliminate the chance of reoccurrence.

*Auditee Contact* - Raymond Hammarlund, Director, Kansas Department of Commerce, Community Development Division

*Management's Response/Corrective Action Plan (Unaudited)* – The State of Kansas Department of Commerce has responded to HUD's findings and is implementing HUD's suggestions which include providing additional training to grantees, revising grant award documents and intensifying scrutiny of projects to ensure that all environmental regulations have been followed.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-2 (Continued)**

*Follow-up* – In December 2007, HUD communicated that all the findings were considered closed after reviewing communications from the State in November and December 2007. Since these findings were not closed as of June 30, 2007, this finding is repeated and reported as Finding No. 2007-12.

**Finding No. 06-3**

*Federal Program* – Migrant Education-State Grant Program (CFDA No. 84.011), U.S. Department of Education, State of Kansas Department of Education, Grant No. S011A050016

*Cause and Condition* – Key line items reported in the Consolidated State Performance Report: Part II 2004-2005 for Migrant Education did not have appropriate supporting documentation. When the report was originally prepared, the query output was not printed or kept in electronic format as support for the data reported. The report was recreated from the KSMN database during testwork, but since this report is created from a real-time database, the key line items did not match the data originally reported.

*Criteria* – The State should maintain records that accumulate and/or summarize the information reported.

*Effect* – Key line items could have been reported incorrectly without the ability to be reviewed for correction.

*Questioned Costs* – Unknown

*Recommendation* – We recommend that the State maintain original supporting documentation for the information reported in the Consolidated State Performance Report.

*Auditee Contact* – Judi Miller, Assistant Director, Department of Education, State and Federal Programs

*Management's Response/Corrective Action Plan (Unaudited)* – The Kansas State Department of Education believes it has the appropriate supporting documentation for reports filed with the U.S. Department of Education. The data reported in the Consolidated State Performance Report: Part II 2004-2005 is actually supported in different ways. The data for the report comes from the Kansas Migrant Student Network (KMSN). This database contains all students determined to be eligible for migrant services. The determination of eligibility is handled through the recruiting and Certificate of Eligibility (COE) review process. Once a student is determined to be eligible, his or her information on the COE is entered into the database. For every student in the database, there is a COE identifying when eligibility began with the *Qualifying Arrival Date* (QAD).

## STATE OF KANSAS

### FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS (Continued)

#### **Finding No. 06-3 (Continued)**

The information on the COE is entered into the database by the COE approval office. The Kansas State Department of Education maintains all COEs for 10 years as required by the Migrant Education Programs non-regulatory guidance. To verify the data reported on the report, COEs could actually be pulled and counted to determine which students were eligible during a specified time period.

Throughout the year, the database coordinator continually reviews the data in the database to ensure that the migrant projects are entering the priority for services and other school data. She sends projects notices when there is little activity; she checks for consistency of data; and she provides technical assistance and troubleshooting for issues relating to the database.

Since the database is real time, the programmer who prepares the data for the Consolidated State Performance Report developed “Stored Procedures” for each year’s report. The stored procedures detail the programming language for SQL so if reports need to be run again, the specific parameters remain consistent. The data itself may vary should recruiters find and identify students as migrant whose qualifying arrival date fell within the parameters of the reporting period.

*Follow-up* – The State implemented procedures such that the supporting documentation is printed and kept as support for the report data. This finding is considered resolved.

#### **Finding No. 06-4**

*Federal Program* – Improving Teacher Quality State Grants (CFDA No. 84.367), U.S. Department of Education, State of Kansas Department of Education, Grant No. S367A050015A

*Cause and Condition* – The U.S. Department of Education conducted a review of the Improving Teacher Quality State Grant in December 2005 for State fiscal year 2005 and prior years. As a result of this review, they cited that “the State is using enrollment data, not the required Census residence data, for the part of the allocation of funds based on numbers of children ages 5-17 who reside within the LEA.” During our audit, the same condition was noted.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-4 (Continued)**

*Criteria* – As required in §2121(a)(3) of the Elementary and Secondary Education Act {20 USC 6621(a)}, in any year in which the amount available in the State for LEA grants exceeds the sum of the “hold harmless” amounts for LEAs, the SEA distributes excess funds based on the following formula:

- 20 percent of the excess funds must be distributed to LEAs based on the relative number of individuals ages 5 through 17 who reside in areas the LEA serves (using data that are determined by the Secretary to be the most current); and
- 80 percent of the excess funds must be distributed to LEAs based on the relative numbers of individuals ages 5 through 17 who reside in the area the LEA serves and who are from families with incomes below the poverty line (also using data that are determined by the Secretary to be the most current).

*Effect* – The funds allocated to the LEAs under this grant are incorrect.

*Questioned Costs* – Unknown

*Recommendation* – The Kansas Department of Education should implement procedures to address the specific recommendations provided by the U.S. Department of Education.

*Auditee Contact* – Judi Miller, Assistant Director, Department of Education, State and Federal Programs

*Management’s Response/Corrective Action Plan (Unaudited)* – As requested by the United States Department of Education, the Kansas State Department of Education re-ran the Title II, Part A allocations for the 2005-06 school year to document that they could be computed correctly. No actual adjustments were made to the original allocations. Excess funds allocated to LEAs for the 2006-07 school year were computed correctly, based on Census residence data and not enrollment data, as required by the Elementary and Secondary Act.

*Follow-up* – As described in the preceding paragraph, the Kansas Department of Education implemented the procedures outlined by the U.S. Department of Education. This finding is considered resolved.

**Finding No. 06-5**

*Federal Program* – Improving Teacher Quality State Grants (CFDA No. 84.367), U.S. Department of Education, State of Kansas Department of Education, Grant No. S367A050015A

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-5 (Continued)**

*Cause and Condition* – The United States Department of Education conducted a review of the Improving Teacher Quality State Grant in December 2005. As a result of this review, they cited that “Kansas began testing new teachers in the core academic content areas in 2002, but did not establish passing scores until January 2005. The KSDE considers teachers who took the content assessment during this period—referred to as the “no fault testing group”—as highly qualified. Furthermore, the State did not include special education teachers in its HQT procedures until the 2006-2007 school year. Because of these issues, the State cannot provide assurances that districts hire only highly qualified teachers (including special education teachers, as appropriate) when using funds to reduce class size.”

*Criteria* – As noted in §2123(a)(2)(B) of the Elementary and Secondary Education Act {20 USC 6623(a)}, districts are allowed to use Title II, Part A funds to recruit and hire highly qualified teachers to reduce class size.

*Effect* – The State is not able to assure that districts are hiring qualified teachers to reduce class size.

*Questioned Costs* – None.

*Recommendation* – The Kansas Department of Education should implement procedures to address the specific recommendations provided by the United States Department of Education.

*Auditee Contact* – Judi Miller, Assistant Director, Department of Education, State and Federal Programs

*Management’s Response/Corrective Action Plan (Unaudited)* – The Kansas State Department of Education will implement the following procedures to ensure that only highly qualified teachers are hired.

The listing of schools that are utilizing Title II-A funds to reduce class size will be collected and submitted to teacher licensure. They will analyze the teacher licensure report and notify the State and Federal Programs office if any of these schools have teachers who do not meet the highly qualified criteria. The State and Federal Programs office will contact and work with the superintendent and principal regarding the situation.

The district will provide KSDE with verification that the teachers who are not highly qualified are being funded through a source other than Title II-A. To be proactive, the Kansas State Department of Education will reissue its guidance to districts regarding the highly qualified teacher requirements for teachers hired with Title II-A funds for reducing class size. As appropriate, workshops and meetings will be held in which highly qualified teacher requirements will be discussed.



STATE OF KANSAS  
FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-5 (Continued)**

*Follow-up* – The Kansas Department of Education implemented the procedures outlined in the previous paragraph. As such, this finding is considered resolved.

**Finding No. 06-6**

*Federal Program* – Temporary Assistance for Needy Families (TANF) (CFDA No. 93.558), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS)

*Condition* - Four of the twenty-three case files tested for eligibility determinations did not contain verification that there was a minor child in the household.

*Criteria* – To be eligible for TANF “assistance” as defined in 45 CFR section 260.31, a family must include a minor child who lives with a parent or other adult caretaker relative. The child must be less than 18 years old, or, if a full-time student in a secondary school (or the equivalent level of vocational or technical training), less than 19 years old. Documentation of the existence of a minor should be kept in the case files.

*Cause* – Case files are not reviewed to ensure that proper supporting documentation is maintained.

*Effect* – The TANF participants tested may not have a minor child in the household and, as a result, benefits may be paid to someone not eligible for the program.

*Questioned Costs* – \$16,197,227 (includes \$11,916 of known questioned costs and \$16,185,311 of likely questioned costs (\$11,916 known errors divided by \$47,019 of TANF participant payments during State fiscal year 2006 in our sample population multiplied by \$63,865,150 of total population TANF participant payments during State fiscal year 2006).

*Recommendation* – The State of Kansas should implement controls that would insure that the appropriate documentation is maintained in the case files as support for the State’s eligibility determinations.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-6 (Continued)**

*Management's Response/Corrective Action Plan (Unaudited)* – SRS disagrees with this finding as there is no federal requirement that such birth or other documentation be provided or maintained to verify that the household contains these children. Lacking any regulatory or statutory cite to the contrary, SRS believes that eligibility for these cases was determined correctly.

*Follow-up* – Audit testing in 2007 revealed that four of the twenty-three case files tested for eligibility determinations did not contain verification that there was a minor child in the household. As a result, this finding is repeated and reported as Finding No. 2007-7.

**Finding No. 06-7**

*Federal Program* – Temporary Assistance for Needy Families (TANF) (CFDA No. 93.558), U.S. Department of Health and Human Services (HHS), State of Kansas Department of Social and Rehabilitation Services (SRS)

*Condition* – In January 2007, the HHS Kansas City Office of the Administration for Children and Families was made aware of allegations that Region VII of the State of Kansas Department of Social and Rehabilitation Services had been misusing monies earmarked and allocated for TANF purposes. The allegations state that the Region may have diverted TANF monies to purchase contracted services to primarily assist certain applicants and recipients in achieving their quest for Social Security eligibility. Final information is not yet available regarding amounts and dates of the alleged misuse.

*Cause* – The cause has yet to be determined.

*Effect* – The State of Kansas risks reduced funding and could be required to refund amounts to HHS.

*Questioned Costs* – Unknown

*Recommendation* – SRS should continue to work with HHS to verify the misuse and take the appropriate actions as directed by HHS “to determine the total amount of misused TANF funds in any Region within the State of Kansas”.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management's Response/Corrective Action Plan* – SRS will cooperate with HHS in resolving this issue.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-7 (Continued)**

*Follow-up* – SRS is continuing to cooperate with HHS in resolving this issue. No action has been taken by HHS to further investigate this issue during the fiscal year ended June 30, 2007. As a result, this finding is repeated and reported as Finding No. 2007-5.

**Finding No. 06-8**

*Federal Program* – Child Support Enforcement (CSE) (CFDA No. 93.563), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS)

*Condition* – One of the twenty-three case files tested did not contain documentation of eligibility for CSE benefits.

*Criteria* – 42 USC 608(a)(3) and 45 CFR section 302.33(a) list four specific eligibility criteria: a) individuals applying for or receiving TANF benefits for whom an assignment of child support rights has been made to the State; (b) non-TANF Medicaid recipients; (c) former Aid to Families with Dependent Children/TANF, Title IV-E, or Medicaid recipients who continue to receive child support enforcement services without filing an application; and (d) individuals needing such services who have applied to a State child support enforcement agency. The appropriate related documentation, such as the application, should be maintained to support the determination that the participant was eligible for one of the reasons listed above.

*Cause* – The custodial parent did not complete an application.

*Effect* – Verification of the initial eligibility determination of the participant is not possible since the required documentation was not maintained in the case file.

*Questioned Costs* – Unknown

*Recommendation* – The State of Kansas should implement controls that would verify that the appropriate documentation is maintained in the case files as support for the State's eligibility determinations.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-8 (Continued)**

*Management's Response/Corrective Action Plan (Unaudited)* – Kansas Child Support Enforcement appreciates the opportunity to review and respond to the audit findings. Of the 23 cases sampled, one resulted in findings. The case in question was researched and the error was reported to the supervisor for analysis and resolution. The process to correct the error commenced on October 26, 2006. The signed NA application was received on December 5, 2006.

In looking toward the future and seeking improvement, staff will be issued a reminder regarding the criticality of existing CSE NA application policy. This policy can be found in the Kansas Child Support Enforcement Manual sections 1310, 1330 and 1360.

Of the 23 cases sampled by the Single Audit, one error resulted. This represents a compliance rate in excess of 95%. Child Support Enforcement staff are pleased with the results and are dedicated to striving for continued improvement.

*Follow-up* – During the FY06 Single Audit performed by Berberich Trahan, one CSE case was found to be in error. Steps to correct the error were immediately taken and the signed NA application was received on December 5, 2006. Existing CSE policy regarding documentation of eligibility for CSE benefits can be found in the Kansas Child Support Enforcement Manual sections 1310, 1330 and 1360. Central Office and field management staff were reminded of this policy on March 8, 2007. CSE Self Assessment staff were also notified of the audit finding. As cases are reviewed for Self Assessment purposes, any problems regarding inadequate documentation and/or eligibility information is reported to field staff. This finding is considered resolved.

**Finding No. 06-9**

*Federal Program* – Low Income Housing Energy Assistance Program (LIHEAP)(CFDA No. 93.568), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS)

*Condition* – The State of Kansas failed to file the Financial Status Report 269 for the year ended September 30, 2005 by the required deadline. The report was due December 29, 2005 but was not submitted until February 21, 2006.

*Criteria* – The FY 2005 grant terms and conditions state that the report is due on an annual basis by December 29, 2005, which is 90 days after the federal fiscal year-end.

*Cause* – The State of Kansas failed to monitor grant report due dates.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-9 (Continued)**

*Effect* – The FY 2005 grant terms and conditions state that failure to submit reports on time may be the basis for withholding financial assistance payments, suspension or termination of funding.

*Questioned Costs* – Unknown

*Recommendation* – The State of Kansas should develop a method to track due dates for reports so that the reports are submitted timely.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management's Response/Corrective Action Plan (Unaudited)* – SRS was very aware that report was going to be late due to turnover in staff who prepared that report and difficulties in the transition of that position. The position has since been filled and the procedures which led to the difficulties in the transition have been modified to prevent similar future problems. We believe these procedures have been successful. It is important to note the FFY 06 LIHEAP annual report was due 12/31/06 and was submitted 11/15/06.

*Follow-up* – Documentation of the report preparation process has been updated and improved to provide more detailed instructions that were previously documented. A control sheet indicating when reports prepared by the accountant responsible for the LIHEAP report are due has been provided to the auditor. Timeliness of filing reports is an explicit performance standard of each of the three accountants in the Federal Reporting Unit. Report preparation instructions and documentation of the due dates of the relevant reports, as well as further documentation prepared to record the steps of the report preparation process including when the reports are due have been provided to the auditor. The federal fiscal year annual report was submitted timely. This finding is considered resolved.

**Finding No. 06-10**

*Federal Program* – Low Income Housing Energy Assistance Program (LIHEAP) (CFDA No. 93.568), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS), Federal Fiscal Year 2005 Grant Award

*Condition* – The State of Kansas failed to meet the grant award requirement of including the required wording on documents containing information on the program.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-10 (Continued)**

*Criteria* – The FY 2005 grant terms and conditions state that statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with Federal money shall clearly state the percentage of the total costs of the program or project which will be financed with Federal dollars, the dollar amount of Federal funds for the project or program, and the percentage and dollar amount of the total costs of the project or program that will be financed by nongovernmental sources.

*Cause* – Specific grant conditions listed in the grant award package were not provided to the grant's Program Manager. Accordingly, the Program Manager was not aware of the wording requirements.

*Effect* –By not following the terms and conditions outlined by the grant award, the State of Kansas may jeopardize potential future funding from HHS.

*Questioned Costs* – Unknown.

*Recommendation* – The State of Kansas should perform a review of all documentation being released to the public to ensure that it contains the required wording. The State of Kansas should also ensure that all parties working with the program are aware of the additional terms and conditions listed on the grant award or in the compliance supplement.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management's Response/Corrective Action Plan (Unaudited)* – SRS's failure to include appropriate wording on the documents referenced was also related to the turnover of staff and the transition to replace that position. The material containing this stipulation was part of award notifications and were not reviewed due to the vacancy referenced. The new procedures and controls that have been established will prevent this from happening in the future.

*Follow-up* – SRS failed to include the appropriate wording for the press releases for the State's fiscal year 2007. This finding is repeated in the current year as Finding No. 2007-14.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-11**

*Federal Program* – Block Grants for the Prevention and Treatment of Substance Abuse (SAPT) (CFDA No. 93.959), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS), Federal Fiscal Year 2005 Grant Award

*Condition* – Line 12 of the Financial Status Report 269 for the period October 1, 2004 to September 30, 2005 did not provide the dates of the last obligation and last expenditure.

*Criteria* – The grant award states that the dates of the last obligation and last expenditure must be documented on line 12 of the Financial Status Report 269.

*Cause* – The report was not prepared following the requirements of the grant award.

*Effect* – This information is used to determine if the grantee is in compliance with the period of availability requirement.

*Questioned Costs* – Unknown

*Recommendation* – A person other than the preparer should review the reports submitted to ensure they are complete prior to submission.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management's Response/Corrective Action Plan* – SRS Health Care Policy (HCP) concurs with this audit finding, and has already made steps to include the last expenditure and obligation dates on future FSRs. The date of last expenditure was included on the FSR for the grant period October 1, 2004 through September 30, 2005. HCP tracks the monthly expenditures for each FFY SAPT grant to ensure compliance with the period of availability requirement.

Health Care Policy will continue to take steps to ensure that both the preparer and reviewer of the FSR 269 are aware of the requirements for Line 12. Instructions regarding this requirement will be added in the grant notebook.

*Follow-up* – The State implemented procedures, such as adding instructions to an internal grant notebook, that allowed the State to report the necessary information on the Financial Status Reports. This finding is considered resolved.

STATE OF KANSAS  
FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-12**

*Federal Program* – Block Grants for the Prevention and Treatment of Substance Abuse (CFDA No. 93.959), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS), Federal Fiscal Year 2005 Grant Award

*Condition* – The State of Kansas failed to meet the earmarking requirement for the SAPT program. Only 19 percent of the Federal Fiscal Year 2004 block grant was expended for primary prevention services for individuals not requiring substance abuse treatment.

*Criteria* – According to 42 USC 300x-22; 45 CFR sections 96.124 (b)(1) and 96.125, the State shall expend not less than 20 percent of SAPT for primary prevention programs for individuals who do not require treatment of substance abuse.

*Cause* – The State did not properly track expenditures to ensure that the required levels of certain expenditures were met.

*Effect* – The State of Kansas SAPT program is not in compliance with the grantor's earmarking requirements.

*Questioned Costs* – Unknown.

*Recommendation* – Expenditures should be tracked frequently to ensure that funds are being spent in accordance with the grant requirements.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management's Response/Corrective Action Plan (Unaudited)* – The application submitted on September 29, 2006, reported that block grant funds in the amount of \$2,367,511 were spent on primary prevention activities. This amount is 19.1% of the FFY04 block grant award. Form 4 of the application also indicated that \$786,355 of state funds were spent on primary prevention.

SRS HCP Addiction and Prevention Services and Management Operations staff consulted with SAMHSA/CSAP regarding the primary prevention funds in October and November 2006. SAMHSA/CSAP allowed HCP to journal voucher \$124,639 from state funds used for primary prevention to block grant funds. In early November 2006, revised Forms 4 and 6 were submitted via the BGAS web site. The revised forms indicate that 20.11% of the block grant funds were expended for primary prevention activities.



STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-12 (Continued)**

In addition to monitoring and tracking total block grant expenditures and obligations on a monthly basis, SRS HCP is now tracking the amount expended on primary prevention. At least quarterly, HCP Addiction and Prevention Services and Management Operations staff are reviewing the expended and projected amounts in order to ensure that the 20% prevention set-aside requirement is met. The 20% requirement for the FFY05 award was met, and current expenditures/obligations indicate it will be met for the FFY06 award.

*Follow-up* – The State is on track to meet the earmarking requirement for the Federal Fiscal Year 2006 and 2007 Block Grants. The State implemented procedures that include monthly meetings to track expenditures and obligations to ensure that the earmarking requirement is met. This finding is considered resolved.

**Finding No. 06-13**

*Federal Program* – Block Grants for the Prevention and Treatment of Substance Abuse (SAPT) (CFDA No. 93.959), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS), Federal Fiscal Year 2005 and 2006 Grant Award

*Condition* – An audit conducted by the State of Kansas Social and Rehabilitation Services (SRS) Office of Audit and Consulting Services noted that the Western Kansas Assessment Center (WKAC), a subrecipient of SRS, failed to comply with the cost principles of OMB Circulars A-133 and A-122 when expending Federal funds as well as failed to submit audit reports to SRS. The period audited by SRS was January 1, 2001 to December 31, 2004. SRS complied with subrecipient monitoring requirements and in doing so, this instance is being reported in the State of Kansas single audit report.

*Criteria* – According to 31 USC 7502(f)(2)(B), pass-through entities are required to ensure that subrecipients exceeding certain amounts of federal expenditures have met the requirements of OMB Circular A-133 including having audits completed within 9 months of the end of the subrecipient's audit period. The pass-through entity is required to issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action. SRS is also required to evaluate the impact of subrecipient activities on the SRS's ability to comply with applicable Federal regulations.

*Cause* – There is a lack of controls over the grant awards received by WKAC.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-13 (Continued)**

*Effect* – The Western Kansas Assessment Center used federal funds for unallowable costs for the period January 1, 2001 to December 31, 2004.

*Questioned Costs* – \$282,213 (Federal portion)

*Recommendation* – The SRS Office of Audit and Consulting Services is recommending that WKAC reimburse SRS \$349,707 (includes state and federal funds) for the unallowed costs. We understand that SRS is continuing to pursue this matter.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management Response/Corrective Action Plan (Unaudited)* – The Western Kansas Assessment Center was dissolved in 2006. The services performed by the Center were assumed by another subrecipient of SRS when the organization closed. The Board of WKAC has agreed to pay SRS the balance of their assets in settlement of this audit. That amount is a little over \$20,000.

*Follow-up* – SRS continued to pursue this matter and entered into a settlement agreement with WKAC in February 2007. The settlement agreement required WKAC to pay SRS \$20,255.99, which they did in February 2007. The settlement concluded this issue between SRS and WKAC. As such, this finding is considered resolved.

**Finding No. 06-14**

*Federal Program* – Block Grants for the Prevention and Treatment of Substance Abuse (SAPT) (CFDA No. 93.959), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS), All Open Grant Awards

*Condition* – The SAPT program did not conduct the required independent peer reviews of the entities providing SAPT services.

*Criteria* – The State must provide for independent peer reviews which assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least 5 percent of the entities providing services in the State shall be reviewed. The entities reviewed shall be representative of the entities providing the services. The State shall ensure that the peer reviewers are independent by ensuring that the peer review does not involve reviewers reviewing their own programs and the peer review is not conducted as part of the licensing or certification process (42 USC 300x-53(a); 45 CFR section 96.136).

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-14 (Continued)**

*Cause* – The SAPT program’s Independent Peer Review function has been temporarily phased out due to internal struggle over how to monitor this function.

*Effect* – The quality, appropriateness, and efficacy of treatment services provided by the entities are not in compliance with State and Federal guidelines. Noncompliance could result in a reduction of federal funding.

*Questioned Costs* – Unknown

*Recommendation* – We recommend that the State reestablish an annual review process so that at least 5 percent of the entities providing services in the State are reviewed each year in order for the State to be in compliance with federal guidelines.

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management’s Response/Corrective Action Plan (Unaudited)* – When SRS Addiction and Prevention Services (AAPS) moved to a managed care system in 1997-1998, the Regional Alcohol and Drug Assessment Centers (RADAC’s) sent staff with the managed care organization to conduct what was defined at that time by the State as independent peer reviews. These visits consisted of file and billing reviews. After the managed care organization was dissolved, the RADAC’s continued these visits, reviewing files and providing feedback. These visits continued from 1998 through 2001. In 2001, a decision was made to conduct joint visits with AAPS licensing staff. Between 2001 and 2003, the peer reviews were gradually phased out. In 2004, a System Redesign project was implemented and the discussion about Quality Improvement and Independent Peer Review resurfaced. SRS AAPS has recently entered into a contract with an independent organization to conduct these reviews and plans are to implement the new process by July 2007.

*Follow-up* – During 2007, the management for the Block Grant Funds was put out on a RFP for a PIHP bid. The RFP had extensive expected Quality Improvement protocols embedded in the document to assure that peer review was addressed. The contract was awarded to ValueOptions, a NCQA accredited managed behavioral health organization. Kansas Addiction and Prevention Services (AAPS) has made extensive progress in the development of oversight and monitoring protocols to assure that the PIHP in compliance in the federal requirements.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-14 (Continued)**

Perhaps the most germane development relative to Peer Review is the development of a Statewide AAPS Quality Committee (SQC). Peer Review activities are one of this Committee's advisory responsibilities. The SQC is composed of substance professionals (including a physician) who are network providers from every level of care and representation from all six (6) SRS regions. Extensive Data analysis was used to ascertain the numbers and types of providers on the SQC provided adequate representation of populations served. The SQC also includes appropriate AAPS QI staff, prevention representation and a consumer. Committee members had orientation to QI processes prior to meeting. Each member signed a confidentiality statement. This committee met for the first time in August of 2007 and will continue to meet quarterly thereafter.

Although the State has made strides towards phasing the independent peer reviews back into the control process, this was not completed by the end of the fiscal year 2007. As such, this finding will be repeated in the current year as Finding No. 2007-15.

**Finding No. 06-15**

*Federal Program* – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778), U.S. Department of Health and Human Services, Kansas Health Policy Authority (KHPA), All Open Grant Awards

*Condition* – During our testwork of cases reviewed at Kansas Foundation for Medical Care, Inc. (KFMC), 2 of the 23 (or approximately 9%) of the sample case reviews selected for testwork were not completed by KFMC during the year ended June 30, 2006. The sample pulled would indicate that only 91 % of the cases reviewed during the state fiscal year were completed within the specified timeframe.

*Criteria* – The contract between KFMC and the State of Kansas requires that 97% of case reviews must be completed within 100 days from the date of selection and the results must be reported every quarter.

*Cause* –KFMC is not sufficiently tracking the deadlines for completion of the reviews.

*Effect* – These results indicate that KFMC is in violation of the contract with the State of Kansas.

*Questioned Costs* – Unknown

*Recommendation* – The State of Kansas should work with KFMC to identify the cause for these delays in reviewing the case files and KFMC should implement procedures necessary to comply with the contract with the State of Kansas.

*Auditee Contact* – Larry Barrett, Audits Manager, Kansas Health Policy Authority

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-15 (Continued)**

*Management's Response/Corrective Action Plan (Unaudited)* – KFMC acknowledges some cases have not been completed within 100 days, but disagrees with the findings of the audit. The reasons for the disagreement are below.

1. Contract timeliness is reported quarterly and reflects the total number of reviews completed. (Performance Indicator Report, Section I-4.) KFMC has reported consistent timeliness performance above 97%. For the period between the third quarter of 2005 through the second quarter of 2006, timeliness rates were 99%, 99%, 100%, and 100%, respectively.
2. KFMC acknowledges that during the audit that was performed, two cases out of 23 reviewed were not timely, which calculates to a 91% timeliness rate. However, KFMC believes these results are not representative of the overall timeliness rate for two reasons:
  - a. The sample size was insufficient to determine whether the resulting timeliness rate was significantly different from the true rate. Even if the contract timeliness rate of 97% were used, sampling 23 cases from all cases reviewed in the timeframe (approximately 22,000 cases) would cause a 7% margin of error. Unless the sample rate was lower than 90%, no conclusions can be drawn.
  - b. The sample of 23 cases was not pulled from the entire population of cases. The sample was only from in-house cases, which are all referred cases. Thus, even if the sample size had been adequately large, it would only have indicated the timeliness rate for referred cases. Referred cases represent only about 5% of all cases reviewed.
3. KFMC acknowledges there have been late cases. This sometimes occurs due to factors outside of KFMC's control. One of the cases identified as late involved a billing inquiry of which KFMC was waiting on clarification from the Fiscal Agent. KFMC pended the case and, in retrospect, should have closed the case and reopened when the information came from the Fiscal Agent.
4. It was stated "KFMC is not sufficiently tracking the deadlines for completion of the reviews." KFMC disagrees with this finding. KFMC concurrently monitors cases daily and weekly. Cases nearing the timing deadlines are completed first throughout all steps in the review process. KFMC is conscientious about timing and it is reflected in the performance indicator report.

The State will continue to work with KFMC to ensure cases are completed timely and to improve the process.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-15 (Continued)**

*Follow-up* – The case reviews selected for testwork at KFMC were all completely timely in the current year. This finding is considered resolved.

**Finding No. 06-16**

*Federal Program* – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778), U.S. Department of Health and Human Services, Kansas Health Policy Authority (KHPA), All Open Grant Awards

*Condition* – During our claims testwork during the fiscal year 2004 audit, we noted that the Medicaid Management Information System (MMIS) system contained no controls to limit the number of surface repairs paid per tooth to dentists. No similar issues were noted during current year claims testwork, however, as of June 30, 2005 and 2006, no controls had been implemented to address this finding.

*Criteria* – The MMIS system should include edits and controls that identify unusual items, including safeguarding unnecessary utilization of care or fraudulent claims, for follow up. The State utilizes the MMIS system to ensure proper payment of submitted claims.

*Cause* – There are insufficient edits and controls in the MMIS system to address this specific issue.

*Effect* – A dentist may file an illegitimate claim for more surface repairs on a tooth than the number of surfaces that are actually on a tooth.

*Questioned Costs* – Unknown

*Recommendation* – We continue to recommend that the State implement controls in the MMIS system that limit the number of surface repairs a dentist can claim on a specific tooth letter or number.

*Auditee Contact* – Larry Barrett, Audits Manager, Kansas Health Policy Authority

*Management's Response/Corrective Action Plan (Unaudited)* – KHPA updated MMIS policies E2006-38, E2006-39, E2006-40 and E2006-41, which include tooth surface limitations. These policies are being implemented in phases and Phase III has been delayed due to other priorities. It is expected this final phase will be implemented before the end of SFY08. Phase III will assist in limiting the number of surface repairs possible. In addition to this planned final policy implementation, exploration of possible system changes will be done in SFY08 to discover if there is some way to further limit the potential for duplicate billing for specific teeth.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-16 (Continued)**

*Follow-up* – As indicated in the previous paragraph, the MMIS policies are anticipated to be updated by the end of fiscal year 2008. No updates were made during fiscal year 2007. As a result, this finding is repeated and reported as Finding No. 2007-10.

**Finding No. 06-17**

*Federal Program* – State Children’s Insurance Program (SCHIP) (CFDA No. 93.767), U.S. Department of Health and Human Services, Kansas Health Policy Authority (KHPA), All Grant Awards

*Condition* – KHPA was unable to provide copies of the SCHIP award letters.

*Criteria* – The SCHIP award letters and related documents provide guidance to DHPF personnel on the management of the program, including award amounts and funding periods.

*Cause* – The letters were misfiled and unable to be found.

*Effect* – KHPA could be unaware of compliance requirements stipulated in the grant award letter.

*Questioned Costs* – None

*Recommendation* – We recommend that KHPA maintain copies of all award letters received for the program. Such documentation provides support for the activity of the grant.

*Auditee Contact* – Larry Barrett, Audits Manager, Kansas Health Policy Authority

*Management’s Response/Corrective Action Plan (Unaudited)* – Copies of the two grant award letters for FYE June 30, 2006, have been located and copies will be provided to Berberich Trahan & Co., P.A. The first letter covering, The State Children’s Health Insurance Program, appropriation No. 7550515 for \$28,476,186 was received August 22, 2005. The second letter, The State Children’s Health Insurance Program, appropriation No. 752-50515 for \$(226,580) was received October 4, 2005.

Steps are being taken to insure that the SCHIP award letters and related documents are filed correctly and are available for reference to KHPA and others. Copies of the two grant award letters received during FYE June 30, 2006 along with the attachments will be faxed to Berberich Trahan & Co., P.A. on March 7, 2007. In addition, hard copies of these letters were mailed to Berberich Trahan & Co., P.A. on March 7, 2007.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-17 (Continued)**

*Follow-up* – As indicated in the previous paragraph, the 2006 award letters were located and provided to the auditor. The 2007 award letters were maintained and provided to the auditor. This finding is considered resolved.

**Finding No. 06-18**

*Federal Program* – State Children's Insurance Program (SCHIP) (CFDA No. 93.767), U.S. Department of Health and Human Services, Kansas Health Policy Authority (KHPA), All Grant Awards

*Condition* – The State of Kansas utilizes a contractor, Maximus, to process eligibility determinations for the SCHIP program. Historically, the State of Kansas has relied upon the controls of Maximus in the processing of these eligibility determinations. A complete review of the controls related to the eligibility determination process has not been performed by a third party and a SAS 70 report has not been received.

*Criteria* – A SAS 70 Type II Service Auditors' Report is required by the State of Kansas for any contractor that is providing processing services, in this case processing eligibility determinations, for the State of Kansas' SCHIP program. The SAS 70 Type II Service Auditors' Report provides the auditors' opinion on the internal controls placed in operation by the contractor. The report also states whether the auditors believe that the controls are designed and operated with sufficient effectiveness to provide reasonable assurance that control objectives would be achieved.

*Effect* – Eligibility determinations for the SCHIP program are processed by Maximus. If the proper controls are not in place and are not being adequately monitored, eligibility determinations may be incorrectly processed.

*Questioned Costs* – Unknown

*Recommendation* – The State of Kansas should require that Maximus provide a SAS 70 Type II Service Auditors' Report on the internal control over its eligibility determination processing for the SCHIP program. Any other areas of processing which are significant to the SCHIP program should also be covered by the report. Additionally, as future contracts are negotiated for service organizations to process eligibility determinations, the requirement for an annual SAS 70 report should be included as a contract provision.

*Auditee Contact* – Larry Barrett, Audits Manager, Kansas Health Policy Authority



## STATE OF KANSAS

### FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS (Continued)

#### **Finding No. 06-18 (Continued)**

*Management's Response/Corrective Action Plan (Unaudited)* – The eligibility issues contained in this audit finding will be addressed in the next Request for Proposal (RFP) with a contractor for Clearinghouse activities. The RFP covering eligibility issues will be initiated by January 1, 2008 and implemented in the new contract beginning September 30, 2008.

*Follow-up* – KHPA has included the need for a SAS 70 Type II opinion for the processing of SCHIP eligibility determinations in the current Request for Proposal (RFP). Due to delay in funding by the State Legislature, we expect the new contract to start September 30, 2009. KHPA will review the SAS 70 Type II Service Auditors' Report to ensure eligibility determinations will be correctly processed. Since the SAS 70 review has not occurred and the related SAS 70 report has not been received by the State, this finding is repeated and reported as Finding No. 2007-16 in the current year.

#### **Finding No. 06-19**

*Federal Program* – Social Security - Disability Insurance Cluster, (CFDA No. 96.001/96.006), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services, All Open Grant Awards

*Condition* – In October 2002, the Social Security Administration's Office of the Inspector General performed an audit of the State of Kansas' Disability Determination Services program. This review cited known questioned costs of \$201,218 related to unallowable costs, which have been refunded to the Social Security Administration, and disputed questioned costs of \$4,923,606 related to indirect costs inappropriately charged to the program.

*Cause* – According to the Office of Inspector General, the questioned costs were caused by "incorrect indirect cost allocations, inappropriate non-SSA work cost charges, and inaccurate other nonpersonnel costs."

*Effect* – The State of Kansas has refunded \$201,218 of the unallowable costs to the Social Security Administration. The disputed questioned costs related to the indirect costs are currently under appeal with the Department of Health and Human Services (HHS).

*Questioned Costs* – \$201,218 known questioned costs, \$4,923,606 disputed questioned costs

*Recommendation* – The State should implement the procedures recommended by the Office of Inspector General to ensure future unallowable costs do not occur. The State is currently awaiting the outcome of their appeal to HHS regarding the indirect costs.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-19 (Continued)**

*Auditee Contact* – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

*Management's Response/Correction Action Plan (Unaudited) (Follow-up)* – As of December 2006, the State is still awaiting the outcome of their appeal to HHS regarding the indirect costs.

*Follow-up* – As of March 2008, the State is still awaiting the outcome of their appeal to HHS regarding the indirect costs. As such, this finding is repeated and reported in the current year as Finding No. 2007-17.

**Finding No. 06-20 (Repeated from prior year Finding 05-6)**

*Federal Program* – Public Assistance Grants (CFDA No. 97.036), U.S. Department of Homeland Security, Adjutant General's Department, State of Kansas, which includes the Kansas Department of Emergency Management (KDEM), All Open Grant Awards

*Condition* – In our subrecipient monitoring testwork during the fiscal year 2005 audit, we noted that twenty of twenty-three subrecipients selected for testwork had not submitted an independent audit report or a letter stating they were not required to have an audit performed in accordance with OMB Circular A-133. No action was taken by the State as of June 30, 2006.

*Criteria* – According to 31 USC 7502(f)(2)(B) and KDEM's internal subrecipient monitoring policy, the pass-through entity (the State) should receive audit reports from subrecipients required to have an audit in accordance with OMB Circular A-133, issue management decisions on findings related to the program, and require the subrecipients to take timely corrective action on any deficiencies identified.

*Effect* – Subrecipients may not be in compliance with the requirements of OMB and not be detected by the pass-through entity.

*Questioned Costs* – Unknown

*Recommendation* – In 2005, we recommended that a formal monitoring process be implemented to track subrecipients who have received federal funding and determine whether or not they have provided the necessary audit documentation. This would allow the State to monitor their subrecipients more closely and detect subrecipient noncompliance.

*Auditee Contact* – Janice Harper, Comptroller, Adjutant General's Department, State of Kansas

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-20 (Repeated from prior year Finding 05-6) (Continued)**

*Agency Response/Corrective Action Plan (Unaudited)* – Since 6/30/06, KDEM has taken corrective actions in response to audit finding 05-6 (insufficient monitoring of subrecipients for providing audit reports per OMB Circular A-133) including:

- Established an automated process which identifies subrecipients who have received payments from KDEM in excess of a specified amount for a specified calendar year;
- Established a process to send notification of audit requirements per OMB Circular A-133 to those subrecipients instructing them to provide a copy of their audit report or their basis for exemption to KDEM;
- Slightly revised the Public Assistance (PA) cover letter that is sent with PA payments to subrecipients to ensure the wording regarding OMB Circular A-133 audit requirements was accurate and clearly states the subrecipient should send a letter to KDEM if they are exempt from such requirements;
- Established a process for the KDEM Fiscal staff to review information received from subrecipients to detect subrecipient noncompliance and perform subsequent activity necessary to resolve identified deficiencies;
- Established a process for the PA staff to photocopy relevant pages of the audit reports for their applicant files;
- Established a spreadsheet for tracking the subrecipients who are sent the audit requirement notification to ensure a response is received and to make subsequent requests for information as necessary. The same spreadsheet is used to document information about the type of information received, the date received, the audit findings per the information received, the basis for exemption, etc.

In late October 2006, KDEM staff started meeting to discuss how to implement the subrecipient audit notification and tracking processes. We were unable to meet prior to that as there had been several staff changes including the retirement of the Division Administrator in mid-October. Also, the PA Officer position, which had been vacant for several months, was not filled until August. Since the vast majority of our payments (based on payment volume and amount) are to subrecipients for PA, we thought it best to wait until that position was filled to proceed.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-20 (Repeated from prior year Finding 05-6) (Continued)**

The corrective actions bulleted above were a result of those meetings. To identify the subrecipients whom we would send audit notification letters, we used \$500,000 for the specified amount and 2005 for the specified calendar year. We chose \$500,000 as the threshold assuming if KDEM had paid them subrecipient \$500,000, then the likelihood that the subrecipient had expended the same amount in a year was almost guaranteed. Since audit notification letters had not been sent before, we opted to be very conservative on the first round of notifications in case there were problems with the method we used for identifying the subrecipients or problems with the wording of our notification letter.

Using the \$500,000 threshold, 18 subrecipients were identified, most of whom received PA payments, a few received Hazard Mitigation Assistance payments. Of those 18 identified, 2 were state agencies and 2 had already provided financial statements to KDEM for 2005, so 14 audit notification letters were mailed in early December. To date, we have received a response (either financial statements or statement of exemption from A-133 requirements) from all subrecipients who were notified. With the exception of one subrecipient whose audit report will not be completed until mid-February, all subrecipients notified have provided the requested information. In addition to entering the information for the notified subrecipients into the tracking spreadsheet, we also entered the information for those subrecipients who were not notified but had already provided information. The tracking spreadsheet is on a network drive so it is accessible by the entire Division, however it is password-protected to help ensure information is not inadvertently corrupted.

Some portions of our corrective action plan as submitted on May 8, 2006 which are not yet fully-implemented, have not yet become necessary, have been revised, etc. include:

- To date, because all notified subrecipients have responded to our information request, it has not been necessary to re-request the audit information. When it becomes necessary, we anticipate the respective program manager will be responsible for such follow-up as per our original corrective action plan.
- As per your recent recommendation and the success of our initial notification, we anticipate that we will decrease the dollar threshold used to identify subrecipients to whom we send audit notification letters. We will decrease the threshold to the lowest amount that seems to balance the need to ensure sufficient monitoring with practical limitations such as limited staffing and related costs.
- We will continue all corrective actions taken since 6/30/06.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-20 (Repeated from prior year Finding 05-6) (Continued)**

- We plan on reviewing correspondence sent to subrecipients for all grant programs to ensure that discussion of OMB Circular A-133 audit requirements are appropriately included.
- We hope to expand the number of site visits/field audits completed to help ensure our subrecipients are more frequently audited on a recurring basis. Site visits/field audits will continue to be conducted as needed and as soon as possible after any non-compliance is detected. Currently we have limited staffing to complete site visits/field audits.
- Formal policies and procedures for our subrecipient monitoring remain to be written. This had not been previously done because we wanted to see how the process we used for the initial audit notification unfolded. The process used thus far seems to be working and will likely be the basis for the formal policies and procedures.

*Follow-up* – The corrective actions have not been fully implemented due to the large number of disasters that have affected the state of Kansas during the last year. As a result, this finding is repeated and reported as Finding No. 2007-13.

**Finding No. 06-21 (Repeated from prior year Finding 05-5)**

*Federal Program* – Homeland Security Cluster (CFDA No. 97.004 and 97.067), U.S. Department of Homeland Security, Kansas Highway Patrol

*Condition* – In our subrecipient monitoring testwork for the fiscal year 2005 audit, we noted that, with the exception of approving purchases made by subrecipients, the Kansas Highway Patrol had no formal subrecipient monitoring process in place to monitor the activities of its subrecipients. Certain aspects of our recommendation in 2005 were implemented however a written subrecipient monitoring policy has not been formulated.

*Criteria* – Pass-through entities must establish a monitoring process that should include on-site visits and implementing procedures that would ensure “that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient’s audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.”

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-21 (Repeated from prior year Finding 05-5) (Continued)**

*Effect* – Subrecipients may not have been properly monitored and evaluated.

*Questioned Costs* – None

*Recommendation* – The Kansas Highway Patrol needs to develop a policy for monitoring its subrecipients that includes regular on-site visits and ensuring that the required subrecipient audits were completed through such procedures as obtaining and reviewing copies of subrecipient audit reports for those subrecipients that met the audit requirements of OMB Circular A-133.

*Auditee Contact* – Captain Mark Bruce, Homeland Security Operations Commander, Kansas Highway Patrol

*Agency Response/Corrective Action Plan (Unaudited)* – The KHP included a Single Audit Certification Letter as an addendum to sub-recipient contracts. This letter required a sub-recipient to indicate whether or not they are subject to the provisions of OMB Circular A-133. KHP also recently developed an equipment-monitoring program that it will continue in the future. However, the KHP did not develop a written policy regarding the fiscal monitoring of its sub-recipients within the timeframe prescribed by your firm. That has since been corrected. Consequently, the KHP has now fully complied with all recommendations previously made by your firm.

*Follow-up* – Kansas Highway Patrol developed a written policy for monitoring their subrecipients, which is included in the “Kansas Highway Patrol Homeland Security Grant Program Policy Manual”. This finding is considered resolved.

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-22**

*Federal Program* – Food Stamps (CFDA No. 10.551), National School Lunch Program (CFDA No. 10.555), Special Supplemental Nutrition Program for Women, Infants and Children (CFDA No. 10.557), Child and Adult Care Food Program (CFDA No. 10.558), Section 8 Housing Assistance Payments Program – Special Allocations (CFDA No. 14.195), Community Development Block Grants/State's Program (CFDA No. 14.228), Unemployment Insurance (CFDA No. 17.225), Highway Planning and Construction (CFDA No. 20.205), Title I Grants to Local Educational Agencies (CFDA No. 84.010), Special Education - Grants to States (CFDA No. 84.027), Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA No. 84.126), Temporary Assistance for Needy Families (CFDA No. 93.558), Child Support Enforcement (CFDA No. 93.563), Child Care Mandatory and Matching Funds for the Child Care and Development Fund (CFDA No. 93.596 and 93.575), Foster Care -- Title IV-E (CFDA No. 93.658), Social Services Block Grant (CFDA No. 93.667), State's Children's Insurance Program (CFDA No. 93.767), Medical Assistance Program (CFDA No. 93.778), All Grant Awards

*Condition* – We noted that the *Cash Management Improvement Act Agreement between the State of Kansas and the U.S. Department of the Treasury* and the *Cash Management Improvement Act Annual Report Treasury State Agreement* were not reviewed by someone other than the preparer prior to submission to the federal government.

*Criteria* – The internal control process over information submitted to the federal government should include a level of review by someone other than the preparer prior to submission. This would enable the State of Kansas to detect potential errors or omissions and avoid possible future penalties.

*Cause* – The State's internal control process over the reports mentioned above does not include a level of review.

*Effect* – Errors or omissions could occur and be undetected by the State prior to submission.

*Questioned Costs* – Unknown

*Recommendation* – The State of Kansas should implement a level of review over the reports mentioned above in order to avoid potential errors or omissions.

*Auditee Contact* – Kent E. Olson, Director of Accounts and Reports of the State of Kansas

STATE OF KANSAS

FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 06-22 (Continued)**

*Management's Response/Corrective Action Plan (Unaudited)* – We agree that the review of the Treasury State Agreement and the CMIA Annual Report by an additional individual would enhance the overall process of submitting these two documents. Effective immediately, the Division of Accounts and Reports will require someone other than the preparer to review these two documents prior to the documents being submitted to the U.S. Department of the Treasury.

*Follow-up* – The State implemented procedures that included a review of the Treasury State Agreement and the CMIA Annual Report during fiscal year 2007. This finding is considered resolved.